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EDITORIAL

As We See It

Word comes from Washington that the budget making authorities are making substantial reductions in departmental estimates of expenditures for the coming fiscal year, and that the President has sent a letter to Cabinet members and other officials insisting that they hold their outlays within the limits entered in the budget tabulations to appear after the first of the year. These steps are described as conforming to the post-election statement of the President that he would use all the power in his hands to eliminate needless spending by the Federal Government. The ultimate goal is, of course, a balanced budget, but no one at this moment appears ready to speculate about how long it will be before the approximately $13 billion deficit will disappear.

All this, of course, is good news so far as it goes. There is danger that the President will have a spenders' Congress to deal with after the first of the year. Time only will tell whether the saner elements which seemed to be in control of the national legislation this past year will be able to exert the same degree of influence upon the newly elected members of the House and Senate. The President's attitude and position appeared this year to be, comparatively speaking, on the side of some measure of reason in adding to outlays and opposing tax reduction, but he could hardly be described as a very vigorous or forceful advocate of conservatism in the handling of policies having to do with the fiscal health of the country. Business appears to be improving quite generally, and that sooner or later will mean larger revenues for the Treasury. It is safe enough to guess that a balanced budget, or some-

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Dealing With Prosperity

By BENSON FORD*

Vice-President, Ford Motor Company, Dearborn, Mich.

A leading motor industrialist comments on the extent to which emotion—psychology—has intensified the boom-and-bust cycle, and our growing inability to handle virulent inflation. For the former, Mr. Ford recommends self-discipline and points out, for example, that now is a better time for capital expenditures than during a boom, and regarding the latter he recommends a thorough education job to help achieve a general understanding of the problem and the need to stop the squeeze on necessary profits. Despite our improved ability to use skillfully fiscal and credit policies, Mr. Ford notes we have not displayed the capacity to deal with prosperity as well as we have dealt with adversity.

Inevitably in a time like this we hear rumbles to the effect that the countdown has started for a new economic blast-off. It seems scarcely weeks ago that, to quote a great mixed metaphor, "the crepe-hangers were crying 'wolf' in the market place." Now it's off with the crepe and on with the rose colored goggles. I would like to suggest that before we go off on another binge, we ought to take a very thoughtful look at the recent past.

Benson Ford

The postwar period has been marked by repeated excesses in our economy and in our economic thinking. We have been prey to extremes of optimism and despair. We have been on buying jags and building jags, spending jags and borrowing jags. We have made great advances in raising the general living standard of American families, but we have also developed some wasteful economic habits and some dangerous economic postures.

Many of us in business have allowed ourselves a little

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*A talk by Mr. Ford before the Southern Newspaper Publishers Association, Boca Raton, Fla., Nov. 18, 1958.

The Tax Implications Of Investment Abroad

By HON. HALE BOGGS*

Chairman, House Subcommittee on Foreign Trade Policy

Concerned about the discouraging aspects of our tax laws as they affect foreign investment, Congressman Boggs announces that Subcommittee hearings will be held on Dec. 1, on this subject and, speaking for himself, outlines reasons why we need a searching review of our revenue laws as they apply to foreign source income. He supports such incentives to encourage foreign private investment as: principal of territoriality in taxing foreign source income; elimination of certain discriminatory and unequitable results which are said to distort business decisions and prevent our American system from being carried abroad by our business men; and the formation of base companies for the conduct of foreign business operations in the United States itself.

I think we can accept the fact that it is the policy of the United States to promote the economic growth of the free nations of the world and to do all that is prudently possible to help the less developed nations to achieve that momentum of progress in agriculture and industry to make it possible for them to look forward to substantial economic growth. It would seem equally clear that it is the policy of our country to contribute to and assist our friends in the world to the largest extent possible by encouraging the unhampered operation of our dynamic free enterprise system.

Rep. Hale Boggs

All agree that this can best be accomplished by providing incentives for private American capital to go abroad and take with it the vitality, the skill, and the imagination that has made our system the strongest economic system in the world. Private in-

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*An address by Congressman Boggs before the 45th Annual National Foreign Trade Convention, New York City, Nov. 19, 1958.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 40.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

MERTON S. ALLEN
Harris, Upham & Co., New York City
Members New York Stock Exchange

American Telephone & Telegraph

I was most delighted when my last "Security I Like Best" contribution on Miles Laboratories, doubled within a year. This was the second issue in a row to do so. The first was Getty Oil.

Merton S. Allen

The likelihood of the present "Security I Like Best"—American Telephone & Telegraph—repeating the last two performances, seems remote. However, I do feel that Telephone will provide a somewhat surprising performance in the market place over the not too distant future.

Many believe that it is unrealistic to expect a wide and substantial upward move in a "utility" type security. This attitude is open to serious question. When one examines the past performances of other utilities and phone companies, the record is usually surprising. A table comparing American Telephone & Telegraph with nine other representative companies over an 11-year period is given below.

A brief study of the table will highlight many interesting facts. A. T. & T. has the longest dividend record, and its yield is equal to the highest. All the companies listed have made fantastic advances in relation to A. T. & T. which is selling at the lowest price-times-earnings ratio.

Is this wide discrepancy in evaluation warranted? This writer decidedly thinks not. If all the facts are examined, one must come to the conclusion that the common shares of A. T. & T. are grossly undervalued in the present market.

A study made by Capital Gains Research Bureau of the 25 largest American corporations disclosed that net profits in dollars advanced 274% for A. T. & T. during the last 10-year period. This was the greatest percentage increase of the 25 companies studied. Next was U. S. Steel with 224%, followed by I. B. M. with 218%. Other strong growth companies performed as follows: Gulf Oil, 131%; DuPont, 152%; General Electric, 82%; Standard Oil of N. J., 120%; Sears Roebuck, 17%; and Union Carbide, 31%. Of course, if this increase in profits for A. T. & T. had been carried directly down to per share earnings without dilution, the picture would be quite different. As it was, A. T. & T. had to continuously issue bonds to finance its expansion program, and these were convertible into more shares of A. T. & T.'s common stock. Because of this, the number of shares outstanding at the end of 1957 was 64.6 million as compared with 23.3 million at the end of 1948. Per share earnings increased by only 32%, while net income increased by 274%.

The writer believes the management of A. T. & T. will take remedial steps to rectify this situation.

In 1948, Telephone's total retained earnings and depreciation totaled about $297 million. It is estimated to be about $1,160 million for 1958. Thus, the necessity for raising capital externally, which was the cause of the dilution of the common shares, diminishes rather sharply. Telephone should generate almost twice as much of its needs for expansion in the next five years as it did in the last five years. This figure will amount to about 75% of its expansion needs. For the past 10 years, Telephone's net earnings have averaged $11.82 per share. This has exceeded the dividend by $2.82 per year. The next five years should allow this dividend coverage to triple and permit a commensurate upward adjustment in the dividend.

Besides comparing favorably with competitive investments on a financial and statistical basis, A. T. & T. possesses a substantial plus factor in its unbelievably vast research program. This plus factor is not present in most of the companies with which A. T. & T. is compared. Where this factor does exist, the degree is considerably less. Heading the research program is Bell Laboratories. Bell is owned 50% by American Tel. & Tel. and 50% by Western Electric, a 99.82% subsidiary of A. T. & T. Bell is described in "Fortune Magazine's" current two month series as the "World's Greatest Industrial Laboratory." The current year's research budget for Bell totals **$180 million.** About half of this money is suppplied by the government, the other half comes from A. T. & T. Of this $180 million spent on research, about two-thirds is employed in non-military work, for Western Electric or other A. T. & T. projects.

Bell employs about 10,800 people. Two-thirds are professional scientists, engineers or technical aides, and the rest are supporting staff. The caliber of Bell personnel is renowned throughout industrial and scholastic circles.

The research and development work in all phases of electronics, data processing, communications, radar, missile guidance, etc. going on at Bell Laboratories is so great that it is impossible to cover in this article. The fact that Bell Laboratories developed the transistor, possibly the greatest electronic development of recent decades, speaks for itself. "Fortune Magazine" points out that Bell Laboratories has had more papers published in the "Physical Review," the leading journal of theoretical and experimental physics, than **any other** industrial corporation. It had 50% more papers published than its nearest competitor, Westinghouse, and about double the next commercial company, General Electric. It would not be too much to presume

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Name of Company:	Div. Since	—1947 (Approximate)— Adjusted Price*	Earnings	Dividend	—1957— Earns.	Dividend	—Approx. (Current)— Yield	Price X Earns.	Price	11-Year Approx. Advance
American Elec. Power	1910	$13	$1.39	$0.42	$2.23	$1.48	3.0%	22.5%	$49	290%
Consolidated Edison ...	1885	28	1.90	1.60	3.44	2.40	4.2	16.5	57	110
Florida Power Corp....	1937	18	1.46	1.00	2.96	2.00	2.0	31.0	89	380
General Telephone	1936	15	0.95	0.89	3.03	1.85	3.3	18.7	56	286
Internat'l Tel. & Tel.	1951	15	0.03	None	3.12	1.80	3.4	17.4	53	280
Northern States Power	1949	7	0.90	None	1.23	0.90	4.1	18.0	22	215
Pennsylvania Pwr. & Lt.	1946	20	2.05	1.20	3.22	2.40	4.6	16.2	52	150
South Carolina Electric	1946	8	0.74	0.50	1.58	1.08	3.2	21.0	33	325
Virginia Electric......	1925	8	0.91	0.63	1.53	0.98	2.9	21.5	33	325
American Tel. & Tel...	1881	172	7.50	9.00	12.84	9.00	4.6	15.0	194	16

*Adjusted for stock dividends and splits.

This Week's Forum Participants and Their Selections

ALBERT J. GHERSEN
Senior Analyst, Stern, Frank, Meyer & Fox, Los Angeles, Calif.

Sprague Engineering Corporation

The established success of Sprague Engineering Corp. is another epic of personal achievement in the young, fast-growing field of Hydraulics and Electronics.

Albert G. Ghersen

From its origin in 1946, Mr. R. B. Sprague has directed the growth of this important manufacturer of precision equipment to its current position where annual sales volume approaches $9 million. This is more than 50% higher than sales two years ago. Net profits have shown a similar gain in this period.

Looking forward, it appears altogether possible that sales and earnings may achieve comparable gains, if not greater than those of the last two years.

This estimate is encouraged by the following factors:

(1) Commercial potential of the newly-developed refrigeration unit expected to be marketed next Spring.

(2) Increasing demand for the company's specialized testing and check-out equipment for the missile program.

(3) Anticipated business from the airline industry with advent of jet transportation.

(4) Continued satisfactory volume of sales to the military aircraft industry which has been the principal source of business to date.

Based on these factors alone, sales in the next two years could increase from 50 to 100% over 1958. With commercial business accounting for a much larger share of the total, profit margins could widen and net earnings may rise proportionately more than sales.

Over the past two years (1956-1957) net income per share of common stock has averaged $0.95. Net profit in 1958 will equal $0.90 to $1.00 a share. By the end of 1960 earnings may reach an annual rate equivalent to between $2.00 and $2.50 per share.

The company has a simple capitalization consisting of 312,000 shares of common stock. Long-term debt outstanding is modest. Current financial position is sound.

At the company's new plant in Gardena which was completed in 1957 with a floor area of approximately 100,000 square feet, the company engineers and manufactures a variety of specialized electronic equipment used in testing, servicing and maintaining of aircraft, both conventional and jet, and missiles.

Test equipment, which are made in standard designs and custom units for individual specifica-

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Some Lessons of the Recent Recession

By DR. ARTHUR F. BURNS*

Professor of Economics, Columbia University, New York City
President, National Bureau of Economic Research, New York City
Former Chairman, Council of Economic Advisors

Economists' economist discusses the paramount need to strengthen anti-recession policies as the better way to contain price inflation. Cognizant that improved business-cycles policies alone are not enough, Dr. Burns suggests, nevertheless, several reforms including: (1) use of tax cuts instead of public spending during a recession; (2) liberalized, permanent improvement of unemployment insurance; and (3) inclusion of price level stability goal in the Employment Act. The economist lauds the consumers as heroes during the recession and notes such striking features during the downturn as: the economy's resilience, ability of personal income and consumer spending to diverge from production, wage and price inflexibility, and growth of non-price competition.

Economic life never stands still. That is why opportunities as well as problems come our way. Every new economic event has lessons to teach us, sometimes confirming what we know and strengthening our opinions or resolutions, sometimes exciting doubts or new inquiry. It may be helpful therefore to review some of the events surrounding the recent recession and recovery.


Dr. Arthur F. Burns

The recession had many features of the typical business slump of history. It began with a decline of investment commitments on the part of business firms and soon spread over the greater part of the economic system. Production generally fell as sales diminished. But production fell more sharply than sales, since producers deemed it advantageous to meet a part of the current demand by drawing down their inventories. Production fell most rapidly in the durable goods industries; it fell least rapidly or not at all in the service trades. Cancellation of orders and of appropriations for capital expenditures became more frequent. Overtime work dwindled, the number of unemployed mounted, corporate profits shrank, and business failures multiplied. The aggregate output of our factories declined 13% in the course of the recession, the output of mines declined 17%, construction work fell 6%, and railroad traffic fell over 20%. Other branches of production remained reasonably stable. Nevertheless, the nation's overall physical output diminished about 6%, corporate profits fell more than 30%, and unemployment reached the highest level of the postwar period. From the facts at hand, it would seem that the recent decline of production was just about equal to the average decline during the business contractions of the preceding century or longer.

A business recession, however, has numerous dimensions, and it is the divergences of the recession of 1957-58 from the classical model that have most to teach us as we contemplate the problems of the future.

This Recession's Characteristics

The first feature of the recession that warrants special notice is its brevity. Although the decline in production was rather sharp, the recession was one of the very shortest downswings of the business cycle of which history has left a record. Economic activity in the aggregate began declining in August 1957, reached a trough this April, and since then has been rising again.

Nearly every major industry is now participating in the advance. Production, sales employment, and profits are improving generally. The mining industries have already recovered more than half of the earlier decline in output, durable manufactures have recovered two-fifths of the decline, nondurable manufactures have more than made up the decline, and so also has the construction industry. The orders flowing to manufacturers are again advancing and of late have equaled, if not exceeded, their sales. Construction contracts, both residential and nonresidential, are rising. Unemployment is still substantial, but the average length of the workweek has already increased significantly and employment is also rising. There are, as always, clouds on the economic horizon — among them the sluggishness of our export trade and the excessive exuberance of the stock market. However, taking all factors together, the current recovery is widely based and appears to have momentum.

Thus, the brevity of the recession, the pace of the recovery, and its widespread character, all testify to the resilience of our economy. The fear of stagnation, which inhibited progress during the 1930s, has left us and our traditional optimism is again driving the economy forward.

This brings me to another strik-

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*An address by Dr. Burns before the 10th Anniversary Meeting of the Joint Council on Economic Education, Washington, D. C., Nov. 19, 1958.

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Guideposts to World Trade

By JOHN J. McCLOY*
Chairman of the Board of Directors, The Chase Manhattan Bank
Advisor on Disarmament Policy to the Department of State
Member, Draper Foreign Aid Committee

An internationally known banker warns "we are pricing ourselves right out of the world market" and admonishes us to keep costs down, preserve the stability of our currency, and resist government subsidization in place of private initiative. Mr. McCloy declares "we have to be on our guard lest all we do is tax ourselves to put goods abroad that cannot be sold either here or abroad on their own merits, the antithesis of the free enterprise system."

No matter what the vicissitudes, no matter what the interruptions — and we have had one this year — business, if it is related to foreign trade, today demands increased energy, increased imagination, and increased courage. World trade has become more than ever an index of improvement in human welfare both here and abroad as well as a hope for continued peace.


John J. McCloy

It is both interesting and significant that even in this year of recession, world trade will amount to more than $100 billion, almost double the volume of some 10 years ago. This is a measure of growth that did not come about automatically. In back of it lay a number of circumstances, not the least of which were the imagination, planning and effort of men in the foreign trade industry. But along with this and supporting it has been the wisdom of peoples acting together, chiefly through enlightened policies of government. I hardly need call off the list of these policies and programs —the agreements fashioned at Bretton Woods; the Marshall Plan and the OEEC; the European Payments Union; and our more recent programs of mutual security and economic aid are among them.

But this process of growth, change and challenge is never-ending. I cannot help but feel that the peoples of the Free World are now reaching the end of one major phase in their postwar progress, and they face many critical decisions as they start forward on another. We are like the climber who, having reached a plateau, must inevitably gather strength as he moves toward the next stretch of the mountain. There is in this process, as in every man's life, always another peak to assail.

Thus in Europe we find six great trading nations banding together in the beginnings of a common market—a venture that carries far-reaching implications for all the nations of the Free World, including ourselves. And across the channel we see Britain, stronger and better poised economically than at any other time in the postwar period, pressing with others for an extension of the free trade principle into a wider area. Then moving on to the Mid-East and to Latin America, we see pending still other forms of regional cooperation, initially through Development Banks, to be followed later perhaps by regional common markets. What should be the attitude of American business toward these developments? Should we continue to support and encourage them, even though they mean adjustments, not always easy, in our own position? And how shall we view proposals to enlarge the resources of international institutions in which the United States plays a major part—the World Fund and Bank, or our own Development Loan Fund? Are we creating too many agencies for our own good and for the world's? Is our policy in respect to them adequately coordinated?

These are questions that defy simple answers, and I shall not even attempt to advance my own views on them. I would only offer two rather simple guideposts:

Offers Two Guideposts

First, over the perspective of time, I feel confident that the present will eventually be seen to have been a period in which the economic interdependence of the Free World greatly increased. The tremendous advance in communications, in the art of warfare and in the ability to employ nature's materials for the benefit of mankind are all pressing us forward in that direction. It will thus be necessary for us to become more expert, imaginative and effective in this field. We have to free ourselves even more from the restrictions of narrow self-interest as we assay the techniques which we and others devise for working more closely together.

But, secondly, within the framework of this interdependence, we Americans are dedicated to a maximum participation in economic life through the medium of free enterprise. We should oppose intervention by government where it is not clearly necessary. It has been said that the function of government is to influence the economic climate and not to ration the raindrops. Thus we should work for governments everywhere to facilitate the assistance which private enterprise can bring to their peoples — through investment, technical know-how and the unleashing of creative energy that is bound up with self-interest. Compared to government-to-government transactions this field is still largely undeveloped.

Competitive Cost Pressures

Frequently I find the most avid proponents of the free enterprise system pressing for ever greater government appropriations with ever greater restrictions on where the goods may be purchased. We have to be on guard lest all we do is tax ourselves to put goods abroad that cannot be sold either here or abroad on their own merit —the antithesis of the free enterprise system. We have to face the fact that in many lines we are pricing ourselves right out of a world market. It is up to us to make it clear to all that we have to keep prices and costs down, we have to make better products and we have to work harder and longer to make them. There are disconcertingly large numbers of people in the world who are working harder than we, and they are rapidly achieving a comparable know-how. I have referred to Europe but we are all aware of the tremendous strides Russia has made in industrial development. We no longer stand out as the single great supplier of goods that we were in the early postwar period. I do not deplore this. This is an objective which we sought to bring about. We set out to rebuild the industrial strength of the Free World and this has largely been done. Now we have to maintain our place in world trade, with reasonable but limited help from government to be sure, but far more importantly with our own efforts.

I think it must be said that we as a people, our whole nation, are in a great new testing period, a period in which all our institutions are challenged by powerful new forces, both political and economic. It is incumbent upon all of us to respond to this challenge: to develop a sense of personal responsibility for the harmonious working of the society of which we are a part.

Our Balance of Payment Problem

We need to face squarely up to and dissipate the influence among us of pressure groups which disturb our political and economic balance. We are rapidly approaching, if we have not already reached, a balance of payment problem of our own. We even have a large number of our friends inquiring about the stability of our currency. Without a sound dollar not only our trade but the whole world's trade—and I dare say its whole welfare—is in real jeopardy. We need a greater sense of our own responsibility to these things and I firmly believe we need to work and to think harder in regard to them. What we need is not more leisure—the question is whether we can afford what we have. Otherwise we shall be unable to maintain our position as the symbol of freedom throughout the world.

All this goes beyond the function as organizers of trade between nations, and yet it is a part of it. Our businesses are a key aspect of the face our nation presents to other peoples. Americans everywhere must accept in this new testing period increased responsibility for leadership. We are in an increasingly complex and interdependent world and the challenges it induces demand more, rather than less, of our energy and character, even if it entails some work on Saturday or a later train to suburbia.

*From a talk by Mr. McCloy before the 45th National Foreign Trade Convention, New York City, Nov. 17, 1958.

Baker Director

The board of directors of Robertshaw-Fulton Controls Co., at their meeting in Richmond, Va., elected John D. Baker, Jr., senior partner of Reynolds & Co., New York, to the control firm's board.

Mr. Baker replaces Thomas F. Staley, a Robertshaw-Fulton board member since 1947 whose resignation was accepted at today's meeting. Mr. Staley explained that he took the action because of the pressure of business commitments elsewhere.

From an Itinerant Notebook

Of A. WILFRED MAY

The following items were acquired by Mr. May during a recent trip through the Far East.

Highlighting the fanning-out of Red China's expansion beyond basic trade items are her activities way out in the insurance field. Two Peiping companies, the China Insurance Co. and the Mingan Insurance Co., have organized local branches in Hong Kong for the capture of international business from the long-entrenched British and other units.


A. Wilfred May

* * *

China's successful wedging into new markets via price-cutting is well demonstrated on the cement front in Hong Kong. In 1953 she imported no Chinese cement at all.

When China began exporting cut-rate cement they were simultaneously importing the product at higher prices from Japan—surely a *dumping* operation under any definition of that oft-abused term. By 1956, China's share comprised 37.4% of the total imports of that product; it has since grown to a full 50%—with the Japanese crying "help." Thus far this year, such imports are 28% ahead of 1957. 1957-1958 percentage increases in HK dollar shipments of other products are: newsprint 70%, and diamonds (cut and polished) 114%.

* * *

This notebook was fortunate enough to be in Bangkok during the Oct. 20 *coup d'etat*. Thailand, with her $225-million rice crop, has been a prime target for Red China pressures; one of which, I found, consisted in the Peiping's furnishing of extra-cheap newsprint to newspapers which are sympathetic to her Communist line.

* * *

Some of the barter deals get fancy indeed! There have been such 3-way arrangements involving China, Ceylon, and Burma, for the juggling around of rice and rubber. The rice goes from Burma to Ceylon, having been bought or bartered from Communist China, to fulfill a deal between Ceylon and China in rubber and rice. One of such major deals didn't work out because of the Communists' falling-down on the quality and time of deliveries, and their arbitrary hold-up on payments. At the last moment Peiping tried to force unwanted goods as their part of the payment. Shades of Moscow's shenanigans—of the past(?).

* * *

Malaya is getting into "the big trade swing" with both China and the Soviet. She is now buying more goods from China than from Hong Kong, and is the third largest consumer of Malayan rubber. And Soviet trade with Malaya has grown spectacularly during recent months — Moscow's direct purchases of rubber from there being greater than at any time in history —almost four times greater than last year. Politics is again definitely in the act; with the USSR aiming to establish a trade mission there—as a typical wedge for diplomatic representation and the arrival of Russian technicians.

* * *

The Philippine attitude toward trade with a communist country shows how to insert a wedge to get concessions out of the United States. Philippine trading with Red countries is barred by rigid national policy—implemented by the imposition of licensing requirements on all imports and exports. But the potential advantages of Commie trade to needed sugar exports is continually proclaimed by a vociferous minority in and out of the legislature. All this adds up to officialdom's pointing out to visitors the need for more American trade (one-way) and aid; our shortcomings in this regard allegedly "starving" the opposition, which we desire, to Commie trade.

* * *

Interesting is the Moscow-Peiping partnering in political maneuvering in a growing number of areas. Outstanding is the case of Indonesia, a country vulnerable because of low national income, a high disease rate, the seizure of Dutch enterprises last year, and the rebellion which erupted this year. Moscow came into this juicy situation in February of this year with a $100 million grant to the Jakarta Government for a 12-year term for "development assistance." And then along came Communist China with a three-year credit extension to settle a $16 million unfavorable trade balance, along with $20 million more in loans for the promotion of light industry. In the face of the growing speculation—mostly in the West — about the possibility of a Moscow-Peiping rift, there surely are many evidences of pulling-together in the economic-political area "on the spot."

Kahn Elected Director Of Hertz Foundation

The Fannie and John Hertz Engineering Scholarship Foundation has announced that Herman H. Kahn, partner in the investment banking firm of Lehman Brothers, has been elected a director of the Foundation. Mr. Kahn is also a director of Avco Manufacturing Corporation, Dayton Rubber Company, Fruehauf Trailer Company and Sutherland Paper Company. The Hertz Foundation has granted 27 scholarships for the current year. The foundation was established last year by John D. Hertz, founder of the Yellow Cab Co. and the Hertz U-Driv-It System, to devote the entire family fortune to the training of needy and qualified young men and women in engineering study.


Herman H. Kahn

Mr. Hertz created the Foundation in gratitude to the country which allowed him to accumulate it. The Foundation within the needs of the students is empowered to make grants for sustenance as well as tuition and other school expenses, with the condition that the recipients place their skills at the disposal of the United States Government in the event of national emergency.

Exchanges to Close Friday After Xmas

The New York Stock Exchange has announced the exchange will be closed Friday, Dec. 26. It will remain open, however, on Wednesday, Dec. 31 and Friday, Jan. 2.

The American Stock Exchange has also announced it will be closed on Friday, Dec. 26.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The automotive industry last week increased its output of cars perceptibly following a strike of white collar workers at Chrysler Corp. and a walkout at The Budd Co. plant at Gary, Ind., a supplier of underbody components for Rambler, the week before. The increase in the number of cars turned out amounted to 20% and truck output advanced by 2%.

As for steel production, "Steel" magazine this week reported that it now appears that the steelmaking rate of 75% of capacity for the prior week is near its 1958 peak. Steelmakers in October were anticipating a rate of about 85% before the close of the year. It pointed out that automakers were committed to a lot of steel before strikes over local issues halted production. As a consequence, delayed shipments accumulated at steel plants and one company estimated that finished steel stocks increased by 700,000 tons in October alone.

Electric kilowatt output rose sharply the past week in keeping with the season and total retail trade for the country slightly exceeded that of a year ago. It was observed that noticeable gains over last year were recorded in the sales of household goods and food products which offset light declines in wearing apparel.

In a survey made by Dun & Bradstreet, Inc. it disclosed that business executives are more optimistic over sales prospects for the first quarter of 1959 than at any time in the past three years.

Of 1,548 executives polled, 72% forecast higher sales in January, February and March than in the first three months of 1958. Only 4% predicted declines.

This overwhelming belief that sales will be up in the first 1959 quarter reflects a more optimistic viewpoint than Dun & Bradstreet has uncovered since late 1955.

Retailers were particularly hopeful of beating their year-ago sales figures.

A larger proportion of retailers expected year-to-year sales gains in 1959's first quarter than in any other major classification, Dun & Bradstreet added. Three months ago this was the least optimistic of the groups polled, it noted.

The job situation in the week ended Nov. 8, according to the United States Department of Labor, shows that the number of workers drawing unemployment compensation rose for the first time since mid-July.

The 18,700 increase from the week before brought the total to 1,719,100. The agency attributed the rise to employment cuts in seasonal industries and commented it was normal for this time of year. The rate of insured unemployment was 4.1% of those eligible in the latest week, up from 4% the week before and 3.3% the like week a year ago.

In the week ended Nov. 15, new claims for unemployment compensation benefits from idle workers, a measurement of layoffs, declined by 9,300 to 291,000. A year ago, new claims dropped 7,400 to 301,500. New claims totals are available for a later week than those on the number of workers drawing compensation because claims generally precede payments by a week.

Steel orders are reflecting the growing strength of the economy, "The Iron Age," national metalworking weekly, reported yesterday.

It declared that more steel buyers apparently are convinced that the business recovery is the real thing. Some mills report that steel sheet orders are better than they have been all year. Orders for January delivery were described by one mill as "very heavy."

Some of the increased business is coming from the automotive industry, particularly sheets and bars, but a much broader cross-section of the economy is getting in on the act.

"It's beginning to look more and more as though business is finally snapping out of its negative frame of mind," this trade

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From Stitches to Riches

By DR. IRA U. COBLEIGH

Enterprise Economist

An updated account of a company that has uniquely applied effective salesmanship and advertising to the distribution of sewing machines and vacuum cleaners with exciting and profitable results—Atlas Sewing Centers Inc.

Some of the most outstanding success stories of corporations in America are essentially sagas of salesmanship—International Business Machines, National Cash Register Co., Stanley Home Products, Inc., Avon Products Inc. and Fuller Brush Co., etc. Another up-and-coming enterprise following dynamically in the footsteps of these leaders is Atlas Sewing Centers Inc., which has now become the second largest retailer of sewing machines in the United States, with sales running at an annual rate of above $16 million. In eleven short years this eager enterprise has come from scratch and an original corporate invested capital of only $17,500 to an organization with fifty outlets (coast-to-coast along Southern United States), over 1,400 employes and a sales drive that hasn't been equalled since Fuller Brush started giving away free samples to open reluctant doors.

Ira U. Cobleigh

The business formula at Atlas Sewing Centers is quite simple. They don't clutter up salesmanship with a lot of diversionary items; they stick to selling, in the main, just two items, sewing machines and vacuum cleaners. Sewing machines account for the lion's share of sales (about 80%). The product is the "Atlas" brand built under patents (and with dies) owned by the company, and to its own specifications, in Japan. Ninety-five percent of the sewing machines offered retail in the $150 price range. The vacuum cleaner line is also presented under the "Atlas" brand name and is built to Atlas specifications by Landers, Frary & Clark, renowned Yankee machine craftsmen of New Britain, Conn. Ninety-five percent of the vacuum cleaners sell in the $120 price range.

At Atlas, they don't exactly wait till a prospect ambles into one of their branch offices looking for an appliance. On the contrary, they have developed a technique of energetic advertising programs so that the great majority of sales prospects are those who have responded to ads. There is no "cold canvassing" and the over 800 salesmen are supplied with about five "leads" a day—people who have already expressed some interest in Atlas products. Most sales are actually closed in the customers' homes. After responding to newspaper, direct mail, radio or TV advertising, the prospect receives from the salesman enlightenment respecting the quality, efficiency and value of Atlas machines; and the ultimate sale is facilitated by a time payment plan involving 15% down and the balance in 12 to 18 monthly instalments. Since sales efforts have been concentrated on the middle income group, collection experience on time payments has been excellent, with credit losses amounting to less than 1% over a ten year period.

The words "sewing center" may be a bit confusing, as from that you might imagine a bevy of housewives assembling to mass produce a batch of aprons, blouses or curtains, buzzing with gossip, and belting the coffee pot while they keep each other in stitches. Atlas Sewing Centers are definitely not like this. They are actually efficiently run stores with a manager, and his assistant, a service manager, four in clerical personnel, two field service men, and seventeen salesmen. Salesmen are on a commission basis. (A credit manager has recently been added to outlet personnel).

The overall effectiveness of this Atlas plan is best illustrated by the amazing record of company growth. For the fiscal year ending 5/31/54, net sales were $3,318,003. For fiscal 1958 sales had rocketed to over $13 million; and they are certain to show another leap in 1959. Net earnings have followed suit, rising from $103,000 in 1954 to $807,000 in 1957. (1958 was lower at $545,000 due to a managerial decision to provide for much higher reserves on accounts receivables.)

For the future, the projections are most interesting. Mr. Herbert Kern, President, expects annual net sales of above $50 million within the next decade. To implement this optimism, Atlas is planning to open new outlets at the rate of one a month and new stores are already scheduled for opening this year in Havana, Cuba; Minneapolis, Minn. and Columbus, Ohio. Further, in areas where it has no immediate plans for outlets, it has franchised distributors who have exclusive rights to sell Atlas products, and benefit from sales and promotional guidance furnished by Atlas executives.

Finally, the company has launched a broad program of direct mail sales of an assortment of household merchandise (silver flatware, aluminum utensils, etc.) at favorable prices and on an attractive ten payment plan, to its old customers. Atlas already has a half million contented customers on its books, who are familiar with Atlas products, and have proven faithful and dependable in completing their instalment contracts. And over 12,000 new customers are being added each month. All of these facets of corporate expansion suggest a continuation of the quite remarkable growth rate of Atlas Sewing Centers Inc.

About finances, the major problem has been providing the credit for the steadily rising volume of instalment sales. Bank loans are regularly called upon; and, to enlarge working capital, the company offered publicly $1,000,000 of 6½% Convertible Subordinated Debentures due 1973 in March of this year. These bonds contained a quite generous provision permitting conversion into Atlas common at $6.25 a share (which was a bit above the market price of the common at the time). Since then and, on the baiss of earnings running now at well above $1 a share, and with a 50 cent cash dividend, the common has attracted a considerable following. It has sold recently as high as 13¾, which occurrence sent the bonds rocketing past 215 and induced a substantial amount of conversion. At Oct. 8, $476,400 par amount of debentures had already been converted bringing the then outstanding total of common shares to 670,224. Full conversion of all bonds, plus the exercise of all warrants and options outstanding, would increase outstanding common to 813,433 shares. Both the common and the debentures are traded in the Over-the-Counter Market. The common is quoted at around 13½.

There can be no doubt that Atlas Sewing common qualifies as a growth security. The growth here, however, does not depend on extensive research as in a chemical or electronic enterprise. Instead, corporate growth is based on expansion of the number of retail outlets and on good old fashioned salesmanship — an art that has gotten badly sidetracked in the postwar era, except perhaps in house to house selling, and in life insurance. Mr. Leo Kern, Board Chairman, and Mr. Herbert Kern, President, have, in 11 years, turned in a remarkable performance in salesmanship and the training and building up of an effective sales organization. These gentlemen are enthusiastic executives, are the largest stockholders in the company and their shares are now worth several million. They are not only eager to make Atlas Sewing Centers Inc. a major merchandising organization, but they are definitely stock-minded. They want to see the common increase in earnings, dividends and market price. The more than 1,250 stockholders, who are the Messrs. Kerns' partners in Atlas Sewing Centers, have fared well with their stock this year and they have much reason for viewing the future of their enterprise with confidence. This is no "so-so" company!

Some Political Implications of Our Foreign Economic Policy

By HON. ROBERT MURPHY*
Deputy Under Secretary for Political Affairs
U. S. Department of State

Top State Department economist notes U.S.S.R.'s resort to indirect aggression to accomplish its world objectives and its deliberate "tactics of intentional confusion and psychological manipulation to set the stage for penetration and exploitation." Mr. Murphy depicts the choice confronting underdeveloped countries, in their revolt against misery and poverty, as one between Communism and our own western system of individual liberty. He hopes they will have patience to adjust their growth and development to the normal time lag. Concludes by pointing out how we have been responding to free world financing needs and, for example, reports that our Development Loan Fund in its first six months of operation had application for loans totaling over $2 billion as against an appropriation of $700 million since last January.

The purpose of our foreign economic policy is the promotion of world trade and production and flow of international investment. As in the case of our political policy, our purpose is to promote the welfare and security of the people of the United States as well as friendly peoples throughout the world. As a concomitant our purpose is to promote the independence and stability of the governments of the free world. This is of course not a new doctrine. It has been stated in different ways on a number of occasions, in the Atlantic Charter and in our guidelines for the United Nations and its related organizations in the economic field. I believe on balance that it represents the sentiment of the American people.


Hon. Robert Murphy

Perhaps never before in world history has the interplay between political and economic factors been as close and important as it is in the world today. Political steps are taken by nations for economic reasons and economic steps for political reasons. Among these factors the Soviet Union with utter frankness demonstrates that virtually all its economic moves are made for political reasons. Chairman Khrushchev has recently said to a United States visitor: "we value trade least for economic reasons and most for political purposes." To some extent this has been true throughout history. From ancient times, it has been a common strategem in subjugating an enemy to starve him, to cut off his water supply, his trade routes, to deprive him of fuel, or by any other non-lethal "economic means" to defeat him. The blandishment of gifts and tribute has at times played a very important part in this pattern. Economic warfare in time of war has not been unknown to our own country.

It might be useful to ask ourselves — in just what kind of political-economic situation do we find ourselves: a popularity contest with the Russians to win the love of the "uncommitted world?" A knock-down drag-out fight to prove the superiority of communist economic statism over free enterprise capitalism in a world where there is room for one or the other but not for both? Or some twilight sort of "economic coexistence?"

On the one hand, Mr. Khrushchev militantly states to an American visitor, "We declare war upon you in the peaceful field of trade. . . . A war that we will win over the United States." At another time he declares, "To the slogan that says 'Let us arm,' we reply with the slogan 'Let us trade.'" Sometime later he writes a long letter to the President suggesting closer trade relations between Russia and the United States, with a large credit from us to facilitate it, and Mr. Mikoyan states that he "Is confident that with the establishment of normal trade relations a significant forward step will be taken along the road leading to the establishment of cooperative relations between the Soviet Union and the United States." That there are strict limits to these "cooperative relations" is later shown by Mr. Khrushchev's indignant statement that Russia will give "Not a Kopeck" to any joint venture with the West to relieve economic distress in the rest of the world. Khrushchev takes advantage of this opportunity to charge us with an attempt to enslave the rest of the world through our economic programs.

An easy conclusion to be drawn from all these conflicting Soviet declarations is that they make up a fabric of standard communist tactics of intentional confusion and psychological manipulation to set the stage for penetration and exploitation. This sort of smoke screen for operations which are carefully planned and focused, and are anything but confused, is what we have learned to expect of a shrewd, clever and cynical opponent.

We Face a Massive Challenge

The Soviet program behind the smoke screen constitutes a massive challenge to U. S. policy from the forces of communist imperialism. Faced with nuclear deadlock, the Soviet Union turned to indirect aggression to accomplish its world objectives. Economic penetration and influence are key elements in its tactics.

Immediately after World War II, the Soviets consolidated their economic position through force. No sooner had the smoke of battle cleared in 1945 than the Soviet Union recognized easy opportunities for "economic cooperation" with its "friends" in Eastern Europe. First through the dismantling of plants, the taking of reparations, the operation of the so-called joint stock companies, and especially through the dictation of terms of trade overwhelmingly favorable to itself, the Soviet Union was able to milk the satellites of an incalculable amount of real wealth. This yield of nourishment from economic cooperation enormously strengthened the Sino-Soviet capacity to dispense aid later in underdeveloped areas, a type of "robbing Peter to pay Paul" operation. But it could not go on forever, and the pattern of outright exploitation had to be revised in recent years. The Soviet share in the joint stock companies was "sold" to the satellite countries on long-term credit. The period 1956 and 1957 witnessed a massive injection of Soviet economic assistance and relief. This change of policy was forced on the USSR by political considerations. It is noteworthy also that most Soviet assistance to the satellites followed on the heels of the Hungarian uprising and the change of regime in Poland which occurred in October, 1956. The Soviet leaders apparently realized that the economic sins of the past must be atoned for if Soviet political control over the area was to be maintained.

The Soviet Union today plays an overwhelming role in the foreign trade of each of the satellite countries, and since its foreign trade looms so large in their total economy, the Soviet Union has been obliged to make long-term commitments through 1965 to each of the satellite regimes.

This has led to the further development of that bloc self-sufficiency which the late Joseph Stalin aimed at in 1952. Its self-contained nature is well illustrated by the fact that in 1957 three-fourths of Russia's entire foreign trade was conducted within the bloc.

U.S.S.R. Tries to Drive a Wedge

The next step to consolidation of its hard-core position within the Bloc was for Russia to storm the citadel of capitalism in Western Europe by every sort of attempt at political and economic penetration, and to drive a wedge between the United States and its allies and friends. Moscow dangled the bait of vast and mutually profitable exchanges. In the early years of Soviet history, trade negotiations were used as a device to achieve respectability. Since World War II, Soviet talk about East-West trade has been constantly used in a futile attempt to disrupt the Western alliance and its system of strategic trade controls. In 1952, the year that Stalin enunciated the goal of communist Bloc, self-sufficiency, the Soviets organized a so-called "World Economic Conference" in Moscow, using as their propaganda theme the tremendous potential volume of trade between East and West. Soviet leaders lately have returned to this approach to Free World Countries, generally on terms favorable to the Soviet Union.

The attempts to subjugate Western Europe and to drive a wedge between the United States and its friends thus far have failed. A further possibility, of course, was to attempt to neutralize or alienate from the West the uncommitted or less developed countries in other parts of the world. The story of Soviet maneuverings in Asia, the Middle East, Africa, and Latin America is too complicated and devious for me to deal with here. Let me merely mention the example of Yugoslavia where the Soviets and The Bloc—especially the Chinese—have gone through every stage of the hot and cold of political-economic warfare, promising one day and taking away the next. Let me also mention the example of sturdy Finland, another target of direct economic pressures by the USSR. Less apparent perhaps but no less coercive is the story of Soviet relations with the UAR, and initial efforts in Morocco. Latin America today is a tempting target.

Who Are Today's Imperialists?

Is this imperialism or not by a government which claims that we, the American, and The West are imperialists? The pages of Western history may not be spotless, but it cannot be said that we have not learned. How many Soviet aid programs, by candid analysis, can be shown to have the objective of merely helping less fortu-

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*An address by Mr. Murphy before the First General Session of the 45th National Foreign Trade Convention, New York City, Nov. 17, 1958.

Long-Range Outlook for Steel

By CHARLES M. WHITE*
Chairman of the Board, Republic Steel Corp.

Steel leader forecasts: (1) 163 pound per capita increase in steel capacity by 1978 which means, in terms of rising population predicted, about 60 million tons over today's capacity of 140 million tons; (2) displacement of blast furnace by other processes; and (3) overwhelming problems of meeting capital requirements because of inflation. Offers three point program to end the problem of inflation.

What yardstick can measure the potential of the steel industry in the next two decades?

Today, we have an annual steelmaking capacity of 1,637 lbs. per capita, and consumption of steel has been rising faster than the population. In 20 years we will probably need 1,800 lbs. of capacity per capita. If this is true, and if our population reaches the middle-ground estimate of 230 million in 1978, the steel industry in that year will need a capacity of well over 200 million tons, a whopping increase of better than 60 million tons over today. It would mean, in fact, an average increase of about 3 million tons of new capacity per year.


Charles M. White

Many factors could change this trend, pushing it down, or even raising it higher. But this seems like a reasonable bogey to aim at.

In addition to gross increases in capacity, changes in steel industry technology are likely to accelerate during the two decades ahead. While I am gazing into the crystal ball, I may as well stick my neck out and discuss some interesting probabilities. It pains me to say so, because I'm a blast furnace man, and I feel about them as an engineer feels about steam engines. But I think 20 years from now, because of technological changes such as R-N, the blast furnace may be declining in importance. Increasing in importance will be electrics, oxygen converters and pneumatic processes.

Every phase of steelmaking and finishing will be subjected to intensive research, and as we learn more about the physical and metallurgical problems involved, the automation of large volume processes will accelerate. Eventually, computer control of processes will take much of the guesswork out of steelmaking, and lead to marked improvement in quality and a corresponding improvement in efficiency.

Because these changes will take place slowly, there will be comparatively little manpower displacement. Instead, there will be a slow but steady decline in unskilled jobs, a parallel increase in skilled jobs, and a continuing increase in productivity.

This improvement in productivity is crucial. It is the key to better earnings, better wages, and a rising standard of living.

Problem of Capital

Many problems will develop as we move ahead, but there is one that overshadows all others, and it seems to loom larger as we gaze up the slope of the years. That problem is capital.

The steel industry as we know it today was built at an average of a little over $70 per ton of ingot capacity. Yet it would be practically impossible to build a large, intergated steel mill today for less than $300 per ton. The present cost trend is still upward, but let's suppose it stabilizes at $350 per ton of new capacity. If we build 3 million tons of new capacity in the average year, the steel industry will have to find some $20 billion in new capital between now and the end of 1978. That would be an average expenditure of over $1 billion per year.

It is possible, of course, that technological changes leading to lower capital costs will bring these costs closer to earth, but there is no guarantee that this is so. And there is very *little* chance that any drastic capital economies will be achieved by the mid-'60's. Where does that leave the steel companies that must launch major expansion programs *before* the mid-'60's if the economy grows as expected?

The best way I know to answer that question is to use Republic as an example. Having just completed a $200 million expansion program, and being deeply involved in laying long-range plans for the next one, I just happen to have some figures at my fingertips.

Our next major expansion program will cost not less than $500 million, and probably as high as $750 million. For comparison, the series of major expansion programs we have carried out since Republic Steel was incorporated in 1930 totals somewhere in the neighborhood of $900 million.

To contemplate expenditures of this magnitude requires careful planning. But more important, it requires a healthy and prosperous industry, and company earnings that will justify both heavy borrowing and the sale of common stock.

In my opinion, these conditions can be satisfied if inflation can be controlled, and inflation can be controlled if we mix hard work with a little common sense.

Three-Point Program

There are many contributing factors to inflation, but if we can make substantial progress in three specific areas I think we'll have the problem licked.

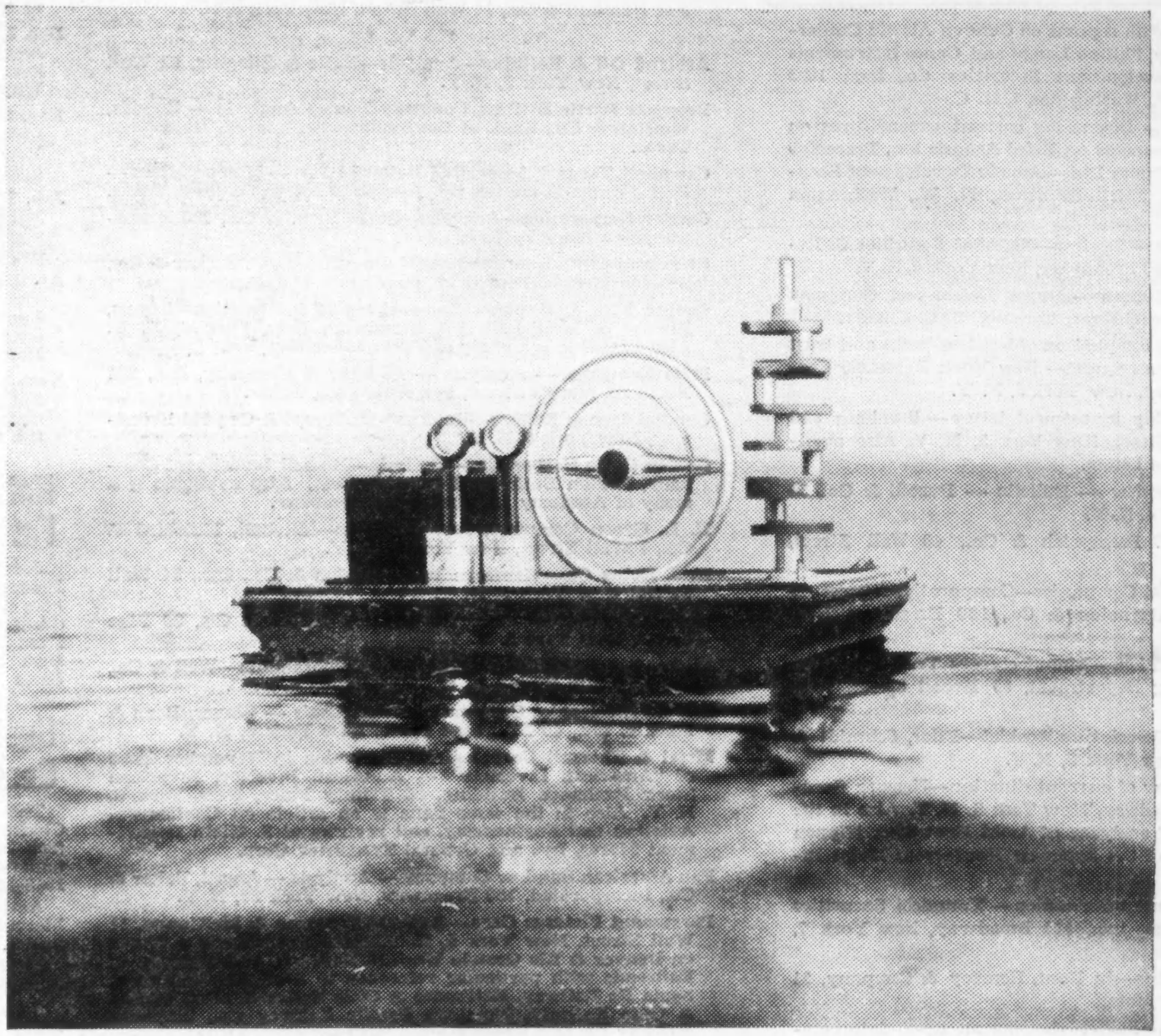
First, we need economy in government. This is the only sure road to realistic tax reduction, and an improvement in incentives for both individuals and companies.

Second, we need to improve the efficiency of our production machine. We have made great progress in this area, but we must work harder than ever in the years ahead.

Third, we need greater cooperation between labor and management to hold down wage inflation. We've made some progress in this area, but not nearly enough. Productivity in the steel industry, for example, has been increasing at about 3% per year since the war, while wages have been increasing at about 8%. This spread between productivity and wages has exerted a powerful inflationary effect on the economy, and it is the responsibility of both labor leaders and managers to seek wage levels which are in the interest of all the people.

Since our standard of living, and perhaps our very existence as a nation are at stake, I have great faith that this problem will be solved. And if it is, I have no fear of the future.

*From a talk by Mr. White before a Group of Civic Leaders and Businessmen, Birmingham, Ala., Nov. 18, 1958.



Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter No. 42—With reports on Geneva Atomic Conference, the nuclear navy, **Philips Lamps** and **Cenco Instruments Corp.** — Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Atomic Letter No. 43 — Discussing current expenditures on atomic energy and comments on **Baird Atomic Inc., Tracerlab** and **Pronto Uranium Mines Ltd.**—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Automobile of Tomorrow—Review—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

Bank Index Theory—Bulletin—Draper Dobie and Company Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Bank Stocks—Quarterly comparison of leading banks and trust companies available on request— New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current Foreign Letter.

Business and Market Review — Bulletin — Purcell & Co., 50 Broadway, New York 4, N. Y.

Copper—Report—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Electric Power and Light Companies—Comparative figures on large companies — Reynolds & Co., 120 Broadway, New York 5, N. Y.

Foreign Exchange Quotations—Manufacturers Trust Company, International Banking Department, 55 Broad Street, New York 15, N. Y.

How to Use Options—Descriptive booklet—Filer, Schmidt & Co., 120 Broadway, New York 5, N. Y.

Japanese Market—Review of current situation—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same review are brief analyses of **Asahi Breweries, Nippon Hodo, Nikkatsu,** and of the **Japanese Nonferrous Metal Industry.**

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Market Preview—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Paper Industry—Review—Calvin Bullock Ltd., 1 Wall Street, New York 5, N. Y.

Peace River Country—Review—Bank of Nova Scotia, Toronto, Ont., Canada.

Petroleum Situation—Review—Chase Manhattan Bank, Petroleum Department, 18 Pine Street, New York 15, N. Y.

Securities Outlook—and discussion of industry trends—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Treasure Chest in the Growing West — Book describing resources of the area served—Utah Power & Light Co., Box 899, Dept. K, Salt Lake City 10, Utah.

Treasury Refunding—Circular—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

West Coast Aircraft & Electronic Companies—Report—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

• • •

Ashland Oil & Refining—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Brewster Bartle Drilling Company Inc. — Analysis — Rowles, Winston & Co., Bank of the Southwest Building, Houston 2, Texas.

Campbell Taggart Associated Bakeries Inc. — Memorandum — Dallas Union Securities Co., Adolphus Tower, Dallas 2, Texas.

Carrier Corporation—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Cleveland Cliffs Iron Company—Analysis—A. G. Becker & Co., Incorporated, 60 Broadway, New York 4, N. Y.

Cooper Tire & Rubber—Comprehensive information—Straus, Blosser & McDowell, 111 Broadway, New York 6, N. Y. Also available is a study of **Texas Industries, Inc.**

Frito Company — Analysis — Dittmar & Company, Inc., 201 North St. Mary's Street, San Antonio 5, Texas.

General Tire & Rubber—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Golden Cycle Corporation—Bulletin—Russell Investment Company, Boston Building, Denver 2, Colo. Also available is a study of **Academy Life Insurance Company.**

H. L. Green Company, Inc.—Analysis—Mitchell, Hutchins & Co., 1 Wall Street, New York 5, N. Y.

H. J. Heinz Co.—Memorandum—Walston & Co., Inc., 74 Wall Street, New York 5, N. Y.

Hertz Corporation—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

International Bank of Washington—Memorandum—Weil & Co., 734 Fifteenth Street, N. W., Washington 5, D. C.

Jerrold Electronics Corporation — Analysis — Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Metal & Thermit Corporation—Discussion in November issue of "American Investors" — American Investor, American Stock Exchange Building, 86 Trinity Place, New York 6, N. Y. Also in the same issue is an article on **Continental Aviation and Engineering,** and reviews of **S. Klein Department Stores, Inc.** and **General Transistor Corp.**

Pan American Sulphur Company — Analysis — Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Paramount Pictures Corp.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **Denver & Rio Grande Western Railroad,** and a survey of **Railroads** with particular reference to **Atchison, Topeka & Santa Fe Railway, Baltimore & Ohio Railroad, Gulf, Mobile & Ohio Railroad, Northern Pacific Railway Co., Southern Railway Co.** and **Union Pacific Railroad Co.**

Powell River Co. Ltd.—Data—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Radiation, Inc. — Analysis — B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

Sedgwick County, Kansas Flood Control and Voting Machine General Obligation Bonds — Bulletin — Ranson & Company, Inc., 208 South Market, Wichita 2, Kansas.

Smith Douglass Co., Inc. — Analysis — Schweickart & Co., 29 Broadway, New York 6, N. Y.

Stone & Webster Inc.—Bulletin—Herbert E. Stern & Co., 52 Wall Street 5, N. Y.

Tappan Company—Analysis—Grimm & Co., 44 Wall Street, New York 5, N. Y.

Trico Products — Bulletin — Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y. Also available are bulletins on **North American Refractories** and **Ft. Pitt Bridge Works.**

United Air Lines—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

COMING EVENTS

In Investment Field

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Dec. 3, 1958 (New York City)
Association of Customers Brokers Annual Christmas Party at Whyte's Restaurant.

Dec. 10, 1958 (New York City)
Investment Association of New York annual dinner at the Waldorf Astoria. Guests invited.

Jan. 16, 1959 (Baltimore, Md.)
Baltimore Security Traders Association 24th annual dinner at the Southern Hotel.

April 1-3, 1959 (San Antonio, Tex.)
Texas Group of Investment Bankers Association of America annual meeting at the Hilton Hotel.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

Katz Retail Sales Mgr. For Jos. Walker Sons

Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange, announced that Benson B. Katz is now associated with their firm as manager of the Retail Sales Department.

Customers Brokers Committee Chairmen

The following will serve as Chairmen of the various committees of the Association of Customers' Brokers for the year 1958-59:

Activating — Frank Dunne, Jr., Merrill Lynch, Pierce, Fenner & Smith.

Education—David Bell, Herzfeld & Stern.

Employment—Gordon V. Price, Laird & Co. Corp.

Entertainment — Albert F. Frank, Ladenburg, Thalmann & Co.

Grievance — Milton Leeds, Pershing & Co.

Legal and Research—Edward S. Wilson, Hallgarten & Co.

Membership — Gerald L. Wilstead, Hallgarten & Co.

Pension and Welfare — Nicholas E. Crane, Dean Witter & Co.

Professional Ethics — Marshall Dunn, Wood, Struthers & Co.

Public Relations — Albert P. Gross, Bear, Stearns & Co.

Speakers — Leon S. Herbert, Hayden, Stone & Co.

Uptown Managers—John Leavy, Bache & Co.

The newly formed Employment Committee will endeavor to assist any qualified individual who wishes aid. All information and contacts will be confidential.

Anyone interested may call Chairman Gordon V. Price at Laird & Company, Corporation. The Committee comprises also: Mrs. Hazel Anderson of Gude, Winmill & Co., Milton Leeds of Pershing & Co., Edward Wilson of Hallgarten & Co., Nicholas Novak of Drysdale & Co., and Thomas Meek of Harris, Upham & Co.

Pansiatic in Newark

NEWARK, N. J.—Pansiatic Securities Company is engaging in a securities business from offices at 233 Wilson Avenue. Albert Engleman is a principal of the firm.

Growth of Employee Benefits And the Trend of Inflation

By W. W. TONGUE*
Economist, Jewel Tea Co., Inc.
Melrose Park, Ill.

Business economist explores the new world of employee benefits, which he finds enjoys a faster rate of growth than the level of income, and comments on the impact of price inflation on this long-term trend. Dr. Tongue describes the factors that offer the prospect of holding inflation and believes chances for this are brighter today than at any time in the past 20 years. Nevertheless, even if the pace of inflation were kept in check, he finds the projected rate of per family income growth will be such that as a result the amount set aside for employee benefits will probably prove inadequate. Urges management to explore areas where they can expand fringe benefits gradually in order to forestall an otherwise inevitable entry by govt.

Employee benefits constitute a significant and rapidly growing part of the economic life of the country, contributing importantly to human welfare and promising to make an even greater contribution in the future.

W. W. Tongue

As an indication of the size of this industry, what the government calls "Supplements to wages and salaries" totaled $16.5 billion in 1957. This covers contributions by employers for social insurance, workman's compensation and employer payments to private pension and welfare funds. To this may be added $6.6 billion of personal contributions for social insurance, making a total of $23.1 billion for these items in 1957. This is more than a third larger than the amount spent by consumers on automobiles and parts.

To bring out the growth that has occurred, we may note that the 1957 figure of $23.1 billion is almost 30 times the corresponding figure for 1929, over eight times the figure for 1939 and nearly three times the figure for 1947. Interestingly enough, the annual rate of growth seems to be approximately the same no matter what year is taken as a base. In this respect it is in accord with "Parkinson's Law." Some may have read the Parkinson tongue-in-cheek analysis of the factors influencing the growth of staff functions, first published in "The Economist" of London in November, 1955, which was generalized into Parkinson's Law. The Law states that staff work grows at the rate of approximately 5¾% per annum compounded, irrespective of the amount of work actually being done at the operating end of the business.

A True Growth Industry

But the growth of employee benefits actually surpasses the expectations of Parkinson's Law. Irrespective of the base taken, the rate of growth comes out to 11% to 12% per annum, or approximately twice the rate called for by Parkinson's Law and also about twice the average annual rate of growth of national income over the period since 1929. We are dealing with a true growth industry.

It is intriguing to project this rate of growth into the future. By 1975, only 17 years hence, we could expect a figure of at least $135 billion per annum for the total of supplements to wages and salaries and employee contributions to social insurance. Add 10 years and the figure becomes an astronomical $400 billion, or more than the entire national income today! While this seems utterly fantastic — and probably is—I am reminded of the words of Mr. Ralph Cordiner, Chairman of General Electric Company, in an address he made several years ago. He said:

"Too often, business plans have been no more than a straight-line extension of past trends and have failed to take into account the probable success of current investments in research and innovation. This is why able businessmen are surprised more often by their successes than by their failures, and so are usually unable to capitalize opportunities that could have been anticipated. The manager who merely tries to keep his plans and policies up to date is already out of date. He must keep them up to the future, where the objectives of the business will be achieved."

As we look in a more serious vein to the factors which might affect the future of employee benefits, perhaps the first question to attract our attention—and one most difficult to answer — is whether we can expect a continuation of the inflation witnessed in this country in the past 20 years. The Consumer Price Index prepared by the U. S. Department of Labor has increased at an average of nearly 4% per annum since 1939. Since 1947 the rate of increase has averaged approximately 2½% per annum. Is the rate of inflation in the future more likely to be the 4% per annum average over the whole period since 1939, or is it likely to be something more, or something less? Is there any chance that we can actually stabilize the price level?

Forces Making for Inflation

At the moment the air is filled with great uncertainty and a general fear that inflation is inevitable in the future. This feeling swelled this past summer as it became obvious that the 1957-58 business recession was not going to degenerate into a serious business depression, as some feared, and as the Consumer Price Index continued to rise month by month throughout the recession.

Most economists feel that the recovery now under way is genuine, and I certainly share this view. Based on past experience, economic activity should continue to expand at least into 1960. The recovery is a milestone of enormous significance. It marks the third time since the close of World War II that we have entered a period of business contraction and come our after only a very minor period of adjustment. This is unprecedented in our history and is valid evidence, I believe, that the concepts and philosophy underlying the Employment Act of 1946 are working as intended.

The very success in overcoming business declines in the three postwar recessions to date, however, lead many to fear that pursuing the Employment Act's objective of "maximum employment, income and purchasing power" leaves the economy much more open to the pressures of inflation than to those of depression. It is feared that the Federal Government will continue to be quick to try to overcome recessions and slow to act against inflationary systems.

In addition, there is a growing feeling that the phenomenon of administered prices in our large industries, combined with collective bargaining with powerful unions on wage rates and other employment conditions in these industries, tend to insulate the price system from the usual restraints on inflation through fiscal and monetary controls. We have the familiar "ratchet effect" in the pattern-setting industries, in which wages and prices move in one direction only—ever upward.

To make matters worse, in the more immediate future we face the additional inflationary impact of a Federal budget deficit estimated to total some $12.2 billion for the fiscal year ending next June 30, the largest deficit for any year since World War II.

Inflation—The Other Side

Despite the influence of these factors making for inflation—and they are powerful—I believe we can see the signs multiplying that a turn in the inflation tide may not be far off. Very possibly the Ford settlement with the United Automobile Workers, when we look back upon it in years to come, may well turn out to have been the first real evidence that the vigor of the postwar inflation is running out. It is always difficult to pinpoint the exact time when such changes in direction occur because there are cross currents always at work and one wave may reach higher on the shore than those which immediately preceded it even after the tide has turned. Similarly, even if the inflation tide has turned, we may continue to have price increases here and there, reflecting prior increases in costs or current increases provided in previous contractual arrangements.

But we are not concerned with the precise date at which the tide may have turned. Our benefit programs, particularly those relating to retirement, stretch far into the future, and it is this future for which we must provide today. I would now like to discuss some of the signs suggesting that as we look back some years hence, 1958 may mark the high point in the inflation tide.

Why Prices May Level Off

In the first place, the immediate outlook is for a levelling in the rate of rise in some prices which have been important in the overall increase in the general price level in the past few years. For example, food prices increased by approximately 12% between February, 1956 and this past summer. Present indications are that with crop production at a record 117% of the 1947-49 average, with hog production scheduled to advance sharply and with cattle numbers again on the increase, we can logically expect some tendency for basic food prices to work gradually downward over the next year or two.

Another area where price advances have been relatively large is that of transportation. In particular, prices of automobiles have been marked up from year to year, not only because of rising labor costs, but also because of the trend toward making the automobile a larger and more

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*An address by Dr. Tongue before 12th Annual Conference of the Council on Employee Benefit Plans, New York City.

Treasury Faces Debt Management And Sound Dollar Policies

By JULIAN B. BAIRD*
Under Secretary of the Treasury for Monetary Affairs
Washington, D. C.

Treasury spokesman intimates government's future financing policy. Mr. Baird avers the government is no mere residual claimant, or marginal influencing factor, but an aggressive competitor for a share of the nation's savings, and that the private money market sector should pursue "aggressive cooperation" even when this appears to involve "some sacrifice of immediate advantage." Moreover, he directs attention to neglected national mandate to preserve purchasing power contained in the Employment Act of 1946 in avowing government's concern for currency's integrity and policy of seeking financing in a free market—even though at times Federal Reserve restraints make the job more difficult. Mr. Baird makes clear that we cannot afford big defense spending and subsidies when our subsidy programs are an important source of Federal deficit. He calls for uncontrolled FHA-VA interest rates, since they "serve no legitimate purpose," and "inflate the price of new homes," and submission of every Federal spending to test of usefulness and necessity in the light of what we can afford.

Financing has been provided for 14 million new homes in America since World War II, and untold millions of older homes have been refinanced. Nonfarm mortgage debt outstanding today exceeds $150 billion, five times as much as right after the war.


Julian B. Baird

As I have considered these figures, I have often thought that there has been far too little public recognition of the tremendous job of mass distribution performed by the mortgage banking industry in recent years. Not so long ago, the old-fashioned single payment mortgage coming up for renewal on certain dates was about the only type of financing available to most home buyers. The result was, of course, that the housing market was largely restricted to the relatively small group of families who already had substantial cash accumulations.

What a revolution has occurred since that time—and how seldom have we thought to give credit to the financial community for bringing it about! Through your own efforts and through legislation which you have been instrumental in shaping, home ownership has been made a practical possibility for almost every job-holding American.

Currency's Integrity

In the mortgage banking field and elsewhere, industry and finance have worked together to solve many complex problems of production and distribution. But one of the most significant and far-reaching questions having to do with money continues to be with us. That is the question of how we are going to maintain the integrity of our currency in the years ahead in the face of unprecedented peacetime demands on our financial resources from both the Government and our rapidly growing economy.

The Treasury and the mortgage bankers of America are both deeply concerned in finding an answer to this problem. The association has recognized this fact in the strong support which it has given on many occasions to sound fiscal and monetary policies. I want to speak frankly on some of the significant aspects of our number one objective in the financial area at the present time — preserving the value of the American dollar.

In my discussion of this matter, I should like to emphasize two points at the outset. The first is this: The problem of inflation which I want to put before you is not confined to the question of short-term price changes. I am speaking of inflation as a long-run trend which, if allowed to persist, would do untold damage to the American economy and even threaten our economic and political freedom.

My second point is a corollary of the first. While the problem of inflation is long-term, it nevertheless requires our immediate and most serious attention. This is not a situation where we can easily retrace our steps; we simply cannot risk waiting until the ravages of inflation are all too evident before starting to do something about it.

We in the Treasury believe that much of the recent concern about inflation—particularly evident in the financial markets—reflects a misguided notion that continually rising prices are inevitable. Nothing could be farther from the truth. Inflation is man-made and can be man-controlled. Our job is to find how best to control it without unduly restricting individual initiative and freedom of choice.

Purchasing Power Preservation Mandate

This is not only a basic responsibility of a free society; it is one which by implication has been written into our laws. The Congress has specified that the government has a responsibility to promote maximum employment and purchasing power in the economy. To fulfill this mandate it is evident that the government must also accept responsibility to conduct monetary and fiscal policy in such a manner as to help maintain the value of the dollar and thus help to provide one of the essential ingredients of a sound and growing economy.

You will note that I said help maintain a stable dollar. Monetary and fiscal policy cannot do the job alone. There is also the question of the wage-price spiral which has to be solved. A nation such as ours should realize that marking up wages in excess of the increased productivity of our economy and marking up prices beyond what is justified by increases in costs does not produce more goods and services. Experience teaches, on the contrary, that the result in the end may be to produce less.

Basis Lacking for Inflation

While our main attention needs to be centered on the long-term threat of continuing inflationary pressures, I believe it is important to note that positive signs of inflation in the immediate future are fortunately few and far between. Wholesale commodity prices have been relatively stable in recent months and so have consumer prices generally. Industrial capacity is high and some of it is still idle. Plentiful crops are putting ample supplies of food on the market.

These are not factors which suggest that prices will start up again soon. In fact all the signs point to relative price stability in the months immediately ahead. This should not make us complacent. But it should help to keep us from falling into the trap of defeatism and a belief that all future business and investment decisions must be made in the environment of a depreciating dollar. We can and must prevent such an environment from developing; and the place to start is with a clear analysis of the inflationary forces with which we must contend.

Many of these forces are currently evident in the money markets, where there is strong competition for funds at the present time. This competition is coming from a number of different sources.

Domestically, our people are demanding and getting the goods and services—both public and private—which enter into a steadily rising standard of living. Supplying these things requires continued heavy expenditures for new plant and equipment.

Internationally, our defense and mutual security needs and the necessity for large expenditures in the scientific field are primary factors keeping the Government's financing requirements at a very high level. As you know, current budget receipts are not covering current expenditures; not only must the Treasury refund the large volume of maturing debt, but it must enter the market frequently to borrow new money to cover the cash deficit. In consequence, the Federal Government is a strong competitor with private borrowers for available investment funds.

In a situation like the present, when there is a heavy general demand for funds, one frequently hears the belief expressed that the Federal Government is the marginal borrower and, therefore, bears the sole responsibility for whatever amount of excessive bank credit extension may be occurring. This, of course, is a serious misconception. Both national interest and sound financial policy require the proper financing of the national government and the needs which the people, acting through Congress, have asked it to meet, as well as proper financing of the private economy and of State and local governments.

Federal Debt Decrease As Per Cent of All Debt

When we look at what has been happening in these competing areas of loan activity in the period since World War II, we find that other forms of credit have been increasing very much more rapidly during the postwar period than has the Federal debt. It may surprise you to hear that for every dollar of debt expansion by the Federal Government since the end of 1946—including, mind you, the financing of our present deficit—there has been an expansion of about $2 in State and local debt, $6 in mortgage debt, and $9 in the other debt of individuals and corporations. In consequence, the Federal debt now accounts for only about one-third of all debt outstanding as against well over one-half in 1946. To use an even more meaningful comparison, the Federal debt actually exceeded the amount of our gross national product 12 years ago, whereas it represents less than two-thirds of the total output of our economy at the present time.

The purpose of enlightened monetary policy is not, of course, to stop credit from expanding. Long-term economic growth requires an increase in the money supply and, therefore, in bank credit as well as in other forms of credit—a growth that should be commensurate with gains in our gross national product. It is the expansion over and above these growth requirements, including the necessary requirements of government, which must be avoided.

Blames Federal Subsidies

Here, I believe, we must frankly recognize that, while the Government can by no means be relegated to the position of marginal borrower, its demands for loan funds must be subjected to the same careful scrutiny as those of other borrowers—in fact, more so, since the public's money is involved. And when we make such a scrutiny—looking into the actual sources of heavy government demand for funds at the present time—one of the first things that emerges is the large amount of financing required in connection with Federal subsidies, including those in the housing field.

It is to be expected that some government measures to stimulate housing will be given priority in an anti-recessionary program such as that of the past year. As you know, the Emergency Housing Act of 1958 which became effective last April, together with legislation enacted during the preceding year, considerably increased the attractiveness of government-insured mortgages to borrowers and thus greatly expanded the Federal National Mortgage Association's special assistance program of purchasing mortgages on low-cost housing.

The program enacted this year has raised estimated budget expenditures for the Housing and Home Finance Agency $1.0 billion above the estimates made in January. Direct housing loans by the Veterans Administration and for the farm housing program have added another $200 million. FNMA has now made commitments to purchase the full billion dollars of mortgages under the Emergency Housing Act authority—not surprising in view of the fact that the Act unwisely provided that mortgages be purchased at prices which reflect interest rates well below going market rates.

There is a place for soundly conceived government measures which will help reverse a cyclical downturn. Yet we must not lose sight of the fact that heavy government commitments, such as those in the housing area, bring with them a number of special problems. We must remember that the lending activity of the Government does not bring a net addition of funds to the market, as the Government must compete in the market to get the funds. Furthermore, government programs involving forward commitments may get into full swing—financially and otherwise—only after cyclical improvement has set in.

We saw this happen in 1954. We are seeing it happen again today. It is a situation, of course, which is particularly characteristic of an industry such as construction, with a fairly long cycle from planning to completion.

Serve No Legitimate Purpose

These difficulties, of course, simply emphasize the fact that we should enter into government programs providing assistance or stimulation to particular sectors of private industry with the greatest caution. Moreover, they must be reviewed continually as to their suitability (and cost) under changing conditions. Our FHA and VA mortgage guarantee and insurance programs, for example, have made it possible for millions of American families to live more comfortably. But we should make a greater effort to see that these programs compete fairly with other demands for funds in the market. We have had it proven time and again, for example, that artificially low interest rates established by law under the VA program—and resulting discounts—serve no legitimate purpose and, in fact, tend to inflate the price of new houses. Surely it should be possible, by legislative action, to establish a greater flexibility in loan terms and bring about a closer responsiveness of the programs to changes in business and money-market conditions.

The need for improvement is just as great in our direct loan programs as it is in the guarantee and insurance area. In addition, our continuing heavy defense requirements would seem to make it clear that we cannot afford to permit direct Federal loan programs and the purchase of mortgages — subsidy programs if you will—to indefinitely expand. Just as an example, a substantial share of the more than $10 billion being spent by the government this year for commerce, housing, and agriculture is in the nature of subsidy loans or grants. Other programs are involved as well and each has its special pleaders.

I can well understand that some in the mortgage industry may feel at times that you are asked to bear undue hardships as a result of varying demand for funds elsewhere in the economy. During a recession you are encouraged to increase your forward commitments. But when recovery gains momentum and the demands for funds are heavy (including the raising of government funds to finance FNMA mortgage purchases) the increased competition and resulting higher interest rates may be felt keenly in your sector of the investment markets.

Some Sacrifice of Immediate Advantage

In this connection, let me urge again that it is in the interest of all of us that the government meet its obligations by means of a sound debt management program. This means, for the Treasury, being an aggressive competitor for a share of the Nation's savings when necessary—not just a residual claimant. It means, for the private sectors of the economy, what I might call "aggressive cooperation"—even when this may appear to involve some sacrifice of immediate advantage.

Avoiding Speculative Excess

We in the Treasury recognize in turn that conducting our operations in the atmosphere of a free money market sometimes gives rise to special problems for us. While fluctuations in market prices and yields serve an important function in our private enterprise economy, excessive speculative activity, such as we witnessed earlier this year, makes no contribution to the breadth, depth, or resiliency of the market. We are giving thought to the ways in which we can in the future avoid a recurrence of such speculative excesses.

Our financing will continue to be done in a free money market. Thus there will be times when Federal Reserve monetary restraint may seem to make our financing job more difficult. But it is only through an independent and courageous Federal Reserve that monetary policy can play its proper role as a powerful anti-inflationary instrument. The Federal Reserve and the Treasury, with equal determination, are working in harmony toward the common goal of preservation of the purchasing power of our currency.

The size of our financing program — both refunding and new borrowing — underscore the importance of doing as large a part of our financing as possible outside the commercial banking sys-

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*An address by Mr. Baird before the 45th Annual Convention of the Mortgage Bankers Association, Chicago, Illinois, Nov. 3, 1958.

From Washington Ahead of the News

By CARLISLE BARGERON

Old Jack Garner was 90 years old the other day and several old friends, including Harry Truman, went down to Uvalde, Texas, to see him.

In the course of a talk with Truman, Garner is reported to have said that he dearly loved Roosevelt but he didn't want any czars and therefore he was against a third term. I think his expression of love was an outburst of emotion. Few people, perhaps, now recall that Garner sought the Presidential nomination in 1940 as a means of heading off Roosevelt for a third term.

The two had definitely parted company over the President's effort to pack the Supreme Court. It was not that Garner was particularly unhappy over the President's attempt. When the packing plan was announced, Garner laughed at the very audacity of it. But he soon realized that a nasty party fight had been provoked.

As the fight got underway Garner became increasingly unhappy. Conservative writers used to get from his attitude that he was opposed to it, and Garner soon saw that Roosevelt's opponents were seeking to play him against the President. Rather than be a part of the controversy he got up and left town, returning to Uvalde, something he had seldom ever done during a session of Congress.

When Joe Robinson, who as majority leader of the Senate was leading the fight for Roosevelt, died and his body was taken back to Arkansas on a special funeral train with all of the party big wigs aboard, Roosevelt telegraphed Garner at Uvalde to join the train at Little Rock and see what could be done to pick up the pieces of the Supreme Court fight.

When the funeral party started back, Garner called the opposition together and sought to effect a compromise. He called Burton K. Wheeler, the leader of the opposition, and said "OK, Burt, put your cards on the table. What sort of a compromise will you accept?"

Wheeler said Roosevelt was definitely licked and there was nothing to compromise.

When Garner reported to Roosevelt later he asked "Do you want it with the bark on or the bark off?" He explained that he meant whether Roosevelt wanted the naked truth or did he want it painted up a little. At Roosevelt's saying he wanted the truth bluntly, Garner told him he had best forget all about the court and proceed to other business.

Roosevelt agreed but soon there began to appear in Washington gossip columns stories fed by Tommy Corcoran, who was a big shot around here in those days, that Garner had laid down on the President, and that the President knew it. Garner thought he ought to have a showdown on these reports with Roosevelt so he went to the White House, explained that the stories were getting embarrassing and sooner or later would bring about bad relations between the two of them. To his amazement Roosevelt indicated that he believed the stories. The two were never friendly after that. Roosevelt began depending on Jimmy Byrnes as his man in the Senate, bypassing the Vice-President.

With his term up as Vice-President, Garner silently got on the train and left for Uvalde where he has been ever since, never saying anything about anybody. But I doubt he loved Roosevelt.

He was a very able man, salt of the earth solid type. He spent virtually all of his life in Congress, for years a member of the House of which he became minority leader until 1930 when he became Speaker.

One of the few very foolish things he did was when he was Speaker. William Randolph Hearst began booming him for President. The depression was on. Overnight Garner put together all of the spending bills in the House, amounting to about $50 billion, into a single bill and offered it for passage. He later explained that he knew the House would not do it.

Because of this the Republicans made an issue of him in the campaign of 1932 when he was running with Roosevelt as the Vice-Presidential candidate. He was described as a wild and woolly radical. Coming from old Republican friends whom he thought should know better, it hurt his feelings and he sulked throughout the campaign.

Abbott, Proctor & Paine to Admit

Abbott, Proctor & Paine, 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Waldron W. Proctor to partnership.

Two With Graham, King

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James W. Armour, Jr. and Jacob R. Greene have become connected with Graham & King, Inc., 16 Court Street.

Joins Hay Inv.

(Special to THE FINANCIAL CHRONICLE)

ZANESVILLE, Ohio—Robert K. Orndoff has joined the staff of the Hay Investment Company, First National Bank Building.

Carman King Elected By Annett & Co. Ltd.

TORONTO, Ont., Canada — Carman G. King has been elected a director of Annett & Company Limited and admitted as a partner of Annett & Company, members of the Toronto Stock Exchange, 355 Bay Street.

Now With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John A. Hall has become connected with Lee Higginson Corporation, 50 Federal Street.

Joins S. Romanoff Co.

WORCESTER, Mass. — Bernard L. Romanoff is now with S. Romanoff & Co., 45 Chamberlain Street.

Current Money Market Developments and Prospects

By DR. JAMES J. O'LEARY*

Director of Economic Research

Life Insurance Association of America

Life insurance industry's economist, in evaluating recent money market developments, and the principal forces shaping near-term prospects, predicts a further rise in interest rates in the near future may, at most, be moderate. Dr. O'Leary outlines basic forces restraining interest rate decline in first half of 1958 and believes one of the most was the shift of institutional funds from corporate bonds to residential mortgages which tended to show the decline in corporate bond yields. Comments on fascinating factors contributing to interest rate rise; notes Federal Reserve credit tightening policy and Treasury's need for cash; concludes, however, rates are considerably higher today than justified by basic economic and capital market conditions, the Administration will be firm about inflation, and the interest rate rise will be self-limiting.

Considering the spectacular developments which have been taking place in the money market and which are likely to be ahead, and in view of the gyrations of the past year, it takes a brave man to get out his crystal ball for a look into the future.

James J. O'Leary

Before starting, may I define some of the terms in my paper. By "recent developments" I am going to discuss those of the past year. By the term "money market" is meant the market for credit as a whole, but especially the long-term capital market, including business and industrial financing, residential mortgage financing, state and local government as well as Federal financing, and other forms of long-term financing.

A Review of Recent Developments

First, it will be useful to review briefly the recent developments in the capital markets. Since last Autumn we have gone through one of the most exciting and dramatic periods in our financial history. Beginning in mid-Autumn of last year, after a sharp climb in the preceding months, interest rates fell abruptly through early 1958, then moved irregularly for several weeks at the lower level. Since July they have risen again spectacularly. Packed into the space of less than one year we have witnessed a sudden and pronounced drop of interest rates from a peak level last Autumn to a trough in the early Summer of this year and then a new steep rise carrying rates back to the level of last Autumn.

Some examples will help to illustrate these movements. Moody's index of Aaa corporate bond yields, after a steady rise in 1956-57, reached a high of 4.14% in late September of last year. In mid-November it began a sharp decline and by Feb. 21 of this year it had fallen to 3.58%, a drop of nearly ¾ of 1% in three months. After the low of Feb. 21, the index fluctuated in a narrow range around this level through June, and then it began a pronounced climb and by Oct. 10 had moved to 4.13%, nearly the exact point it had reached in the high of late last September.

Or, to take another example, Moody's index of Baa corporate bond yields rose steadily in 1956 and most of 1957 to a high of 5.10% at the end of November of last year. Then the index dropped sharply to 4.65% at the end of last February, and after some halting recovery it fell to 4.51% early in August. Since that time it has risen abruptly to 4.94% on Oct. 10.

These two examples measured the movement of yields on *outstanding* corporate bonds. Perhaps a better indication is the movement of average yields on *new offerings* of first mortgage electric power bonds rated Aa in quality. The behavior of these bonds was characteristic of new offerings generally. On Oct. 22, 1957, the Consolidated Edison Co. of New York sold $60 million of Aa-rated bonds at an offering yield of 4.95%, and as late as Nov. 6 the Dayton Power and Light Co. issued $18 million of similarly rated bonds at an offering yield of 4.97%. Then came a sudden and precipitate decline. On Jan. 21 of this year, less than three months later, Pacific Gas & Electric Co. sold a $75 million issue of Aa-rated bonds at a yield of 3.65%, and the following day Iowa Power and Light sold a similarly rated issue of $10 million on a 3.60% yield basis. Thus, between early November of last year and late January of this year the offering yield on Aa-rated electric utility bonds dropped 137 basis points! After some recovery of yields on new offerings of Aa-rated electric utility bonds in February, the index reached 4.22% in early March, but then fell back to 3.75% by the end of April. At that point a gradual rise developed which reached an average offering yield of 4.10 by the end of July. Then occurred a sharp increase to 4.57 in early October.

The Government bond market has experienced the most radical changes in the past year. During the first several months of 1957 the index of the average yield on long-term Government bonds rose steadily so that by mid-October it stood at 3.76%. There then took place a sudden drop to 3.20% in early January of this year. Government bond yields were then fairly stable through February and most of March, until another decline set in which carried the average yield on long-term Governments to 3.07% at the end of April. Thus, from mid-October, 1957, through the end of April of this year, the average yield on long Governments dropped nearly ¾ of 1%. At this point, and abrupt rise set in which carried the index to 3.83% early this month, a level slightly higher than a year earlier.

The same kind of development took place in the market for state and local government bonds. From a peak of 3.45% at the end of August, 1957, Moody's index of Aaa-rated state and local government bonds fell to 2.65% in late January of this year. Since early May it has risen sharply and it stood at 3.25% early this month, about the level of a year ago.

The movement of short-term interest rates has been even more spectacular. Just to take one example, the yield on new offerings of Treasury bills dropped from an average of 3.59% in October of last year to a low of 0.88% in June, 1958. The latest issue was back up to 2.90% after a rise since that time.

A most interesting development of the past year, particularly in the last several months, is the changed relationship between the yields on bonds and common stocks. During 1958, as the common stock market has risen, Standard and Poor's composite common stock yield index has declined steadily from 4.48% in January to 3.50% on Oct. 10. If a comparison is made of Moody's Aaa corporate bond index with the common stock index, in August the average yield on common stocks dropped below the average yield on Aaa corporate bonds. This occurred as common stock yields were falling and corporate bond yields were rising. By Oct. 10 this movement had gone to the point where the average yield on common stocks at 3.50% was 63 basis points below the average yield on Aaa bonds at 4.13%. This relationship should call for a switch from common stocks to corporate bonds under normal circumstances, but under conditions of inflation psychology on the part of investors the shift may be very slow in coming.

I have said nothing about interest rate movements on mortgages during the past year, but here again it is the same story. There is a paucity of published interest rate data in the mortgage field, but it is well known that the rates on both residential and business mortgages experienced a decline early this year, with a recovery since the Summer. In the residential mortgage field, however, the swing in rates has been more moderate.

This completes a brief review of the movement of interest rates during the past year in the various sectors of the money market. I would like to turn now to a consideration of the forces which lay behind these movements.

Reasons for the Abrupt Decline in Interest Rates in Late 1957 and Early 1958

Let us turn first to the reasons for the abrupt decline in interest rates in late 1957 and early 1958. It is easy to oversimplify the explanation of this decline—actually there were many complex and interrelated reasons. The basic reason was the general business recession which was well under way by late Autumn of last year. Actually, the turning point in the business cycle occurred in July, but by Autumn the signs of recession were unmistakable. Of particular importance to the capital market, it appeared from various surveys that the heart of the recession was a cutback in plant and equipment expenditures by business and industry. This implied, of course, a decline in corporate demand for capital funds. The common belief was that excess plant capacity existed in many industries and that under these circumstances new plant and equipment expenditures were bound to drop to lower levels. Moreover, it was also commonly believed that easy and more readily available credit could not be counted upon as in the past to stimulate the demand for new housing. The prevailing view was that the backlog of demand for housing had been pretty well filled and that easy credit would not have the response it elicited in 1953-1955. Accordingly, the recession was expected to produce a reduced demand for capital funds, and to some degree in early 1958 this reduction did materialize.

The most widely heralded reason for the abrupt decline in interest rates was the reversal of Federal Reserve policy in mid-November of last year. The signal was, of course, the first cut in the Federal Reserve discount rate and the accompanying announcement that the problem of the authorities was no longer one of combatting inflationary pressures. As the weeks passed in early 1958 the buildup of "free reserves" in the commercial banking system was an important factor in the decline in interest rates. This buildup made possible by the monetary authorities had reached an apparent target level of $500 million of free reserves in the first half of this year. As the commercial banking system used the ready and liberal supply of reserves to expand loans and investments, the resulting increase in the money supply was a factor in the decline in interest rates.

The most important factor in the decline of interest rates, in my opinion, was the great change which occurred in the expectations of both borrowers and investors. To begin with, the rise of rates in the third quarter of 1957 had undoubtedly gone higher than was justified by the basic economic conditions of the time. This excessive rise was based on the expectation that rates would go even higher. Similarly, when the downturn got underway in late Autumn, the expectations of borrowers and investors also carried the decline further and faster than economic circumstances justified. In the main, the expectations I have reference to were those about Federal Reserve and Treasury policies. After the Federal Reserve reversed its policy and began to move in the direction of credit ease in mid-November of last year, speculators became convinced that Government bond prices must experience a sustained rise. Even the occasional investor was led to expect that Government bond prices were on a one-way street upward. The common belief was that the Federal Reserve would flood the commercial banking system with free reserves, as in 1953 and 1954, in order to promote business recovery, and that the banking system would actively compete for Government bonds to maintain earning assets. Likewise, the expectation was strong that the Treasury would carry out all of its deficit financing through the sale of short-term securities to the banking system in order to promote the business recovery. Thus, most observers were convinced that the Treasury would not issue any long-term bonds while the recession continued. All of these beliefs contributed to the expectation that Government bond prices were bound to rise as investors generally bid for them. An indication of the speculative fervor in the Government securities market was the increase in the first half of 1958 of about a billion dollars in New York City bank loans to brokers for the carrying of Governments. The effect of the speculative rise in the price of Government securities, and the consequent drop in yields, was communicated to interest rates generally throughout the capital market.

In addition to the buildup of expectations regarding Federal Reserve and Treasury policies, there was also as noted earlier the expectation of a continuing general business decline and a resultant drop in plant and equipment expenditures by business and industry. All of these expectations operated, along with demand and supply factors, to pro-

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*An address by Dr. O'Leary at the 27th Annual National Conference of the Controllers Institute of America, Atlantic City, N. J.

British Reflation Continues

By PAUL EINZIG

The British Government is forewarned that it is mistaken in believing that its political future is made more secure by pursuit of inflationary policies to insure full employment than by tolerating moderate unemployment for the sake of price stability. Dr. Einzig measures the probable effect of inflation on the market for government securities and sees here, if not for any other reason, source for causing halt to reflationary policies.

LONDON, Eng.—As is indicated by the latest reduction of the Bank rate, British official policy continues to aim at the creation of more employment and more consumer purchasing power. The official view is that unemployment will continue to increase during the next few months, and the Government is determined to do its utmost to reverse this trend. Even now unemployment is under 3% of the working population, much less than in other industrial countries. British public opinion has set up, however, overfull employment as a fetish and any Government that allows a slight unemployment to develop is liable to come in for sharp attacks. Since the reopening of Parliament the Conservative Government has been subject to a torrent of abuse by Socialists for having allowed unemployment to develop at all. The violence of these attacks is quite out of proportion to the actual extent of unemployment. The Government's reflationary measures are denounced as being "too late and too little."

Dr. Paul Einzig

Sees No Political Gain From Inflationary Policies

Under the pressure of this flood of criticism the Government appears to have forgotten altogether that inflation is still basically the main danger. Yet even from a purely political point of view a Conservative Government can ill afford to forget this. It is true, an increase of unemployment is liable to divert working class votes to the Labor Party. On the other hand, an increase in the cost of living is liable to induce many Conservative middle class people to abstain from voting at elections.

On balance, the Government stands to lose more votes if its policies cause unemployment to decline at the cost of an increase in the cost of living than if it tolerated a moderate amount of unemployment for the sake of ensuring stability of prices. Even so, such is the pressure of the vocal section of public opinion that the Government is now prepared to risk a rise in the cost of living for the sake of arresting and reversing the moderate increase of unemployment.

Until recently official policy aimed mainly at the encouragement of consumer demand to an extent that even Opposition critics considered excessive. The "spending spree" brought about through the removal of restrictions on instalment buying and through the encouragement of consumer financing by banks, was denounced by Socialists who demanded that the Government's main reflationary efforts should be directed towards the encouragement of capital expenditure. This is in fact what is now being done in addition to maintaining the measures encouraging consumer demand.

The Capital Issues Committee has relaxed its control of private capital issues, and the Government has restored the cuts made 12 months ago in its own capital expenditure plans and more of nationalized industries. Steps have been taken to increase steel producing capacity through the erection of two large steel rolling plants with Government support. This in spite of the fact that at the moment even the existing steel producing capacity is not used in full. Encouragement is given to local authorities to build more houses and financial facilities have been provided to stimulate private building activity. The main object of the lowering of the Bank rate to 4% was to encourage production.

The combined effect of all these measures is bound to be a substantial increase in demand by producers and consumers alike. The anticipation of such an increase has virtually brought to a halt the tendency, that developed during the spring and summer, on the part of business firms to lower their prices. In any case an increase in the cost of production is generally anticipated as a result of higher wages and of the reversal of the fall in raw material prices.

Already in some instances retail prices have been marked up on the ground of the higher cost of raw materials. Business firms were not in such a great hurry to pass on to the consumer the benefit of the decline in the raw material prices. Whenever raw material prices fall, manufacturers and merchants always claim that the cost of raw materials represents a negligible fraction of their total costs. Whenever raw material prices rise, their relative proportion in total costs also undergoes a mysterious increase; this at any rate is what manufacturers and merchants claim to be the case.

It is in the Budgtary sphere that the Government is widely expected to make its biggest contribution to reflation. Drastic cuts in taxation for the sake of stimulating consumption and reducing unemployment are generally anticipated. Since, however, the Budget is not presented until April, it is quite in the cards that by that time unemployment will be well on the decline and prices will be well on the increase. In that case any major tax concessions would greatly strengthen the prevailing inflationary trend.

Politically it would appear necessary to reduce taxation to strengthen the Government's chances at the General Election which is now predicted for the end of May, 1959. Economically, however, there would be no justification for tax reductions unless there is a corresponding reduction in expenditure or unless the trade revival tends to increase the proceeds of the taxes. It is difficult to see any drastic economies in the predictable future. As for the yield from taxes its increase is likely to lag behind an increase in production. In such circumstances major tax concessions would mean sheer inflation.

Measures Effect on Government Bonds

The revival of the inflation fears caused a reversal of the recovery in the market for Government securities. Before very long this will represent once more a major headache for the Treasury. For this reason if not for any other, the Government is bound to call a halt to reflation before very long. The reduction of the Bank rate caused a halt in the decline of Government loans. But taking a long view their outlook is most unpromising.

Shearson, Hammill Co. Names R. C. Van Tuyl And M. D. Safanie

Shearson, Hammill & Co., 14 Wall Street, New York City, announced that Robert C. Van Tuyl has been named the firm's new Managing Partner. Murray D. Safanie will act as Directing Partner and continue to serve as Chairman of the firm's Policy Committee.

Mr. Van Tuyl joined Shearson, Hammill in February, 1946 and was admitted to general partnership in January, 1948.

Mr. Safanie joined Shearson, Hammill in 1925 after attaining prominence as the U. S. Treasury Department's special auditor in the U. S. Steel World War I tax case. At Shearson, Hammill he established one of Wall Street's first investment research departments and developed many of the techniques of security analysis in use today. He became a partner of Shearson, Hammill in 1936 and has been Managing Partner since 1947.

Robert C. Van Tuyl Murray D. Safanie

Shearson, Hammill & Co. are members of the New York, Canadian, Midwest, and Pacific Coast Stock Exchanges, and other leading stock and commodity exchanges. The firm was founded in 1902 and has 32 offices coast to coast, and offices in Montreal and Basle, Switzerland, as well as private wire correspondents in 12 cities.

Now W. Faubion & Co.

RICHLAND, Wash.—Walter D. Faubion, Jr., is now conducting his securities business from offices at 600 Newcomer Street under the firm name of Walter Faubion & Company.

Edward H. Roselle

Edward H. Roselle passed away at the age of 79. Mr. Roselle was a stock broker in New York prior to his retirement.

The United States and The Problem of Gold

By PHILIP CORTNEY*
President, Coty, Inc.
Chairman, U. S. Council, International Chamber of Commerce

Mr. Cortney controverts recent IMF international liquidity report's opposition to gold price rise with arguments for prompt upward gold price readjustment (which he distinguishes from devaluation) and return to the gold standard if we are to anticipate its inexorable advent so long as we still are free men. The international businessmen's spokesman contends our: (1) monetary policy has had the effect of reducing the purchasing power of gold to that of the dollar; (2) gold holdings are inadequate and recourse to technical tricks or manipulation are fruitless unless there is a catastrophe in Europe; and (3) credit inflation and support of U. S. bonds and high level of activity is incompatible with preventing price inflation. Insists advantages USSR may gain from higher gold price are minor compared with resultant free world benefits, and deplores our monetary megalomania, bathed in the euphoria of money and credit expansion, in extravagant pursuit of full employment and perpetual boom.

Monetary questions are notoriously complicated and to this day we do not possess a commonly accepted theory of money. One hesitates, in consequence, to speak about it with any degree of certitude. And yet, even at the risk of committing the sin of pride, I shall defend my views, because I have the strong conviction that we shall not remain free men for very long if an end is not brought to inflation and if health is not restored to our currencies.


Philip Cortney

In view of the difficulties which attend the governing of free men in democracies based upon universal suffrage, we do not know of any other form of discipline but that of the gold standard which will permit us to restore monetary order in the world. An end must be put to the era of expedients which put off until later the solution of our monetary illness, rendered still more acute by these very expedients. If we desire a return to currencies which are freely convertible one into the other, a reasonable stability of prices and free international trade, we must also desire the means to attain them, and these means are the re-establishment of an international gold standard. Prejudices and obstacles faced by the gold standard are such that some sober thinkers have reached the point of advocating insufficient gold reserves, in order that the men entrusted with the management of currencies be restrained by the fear of deficits in the balance of payments!

Outlines Several Obstacles

There are several obstacles in the way of a return to the gold standard. First of all an ill-founded prejudice against the gold standard which goes back to the 1929 depression. The confusion in thinking is, perhaps, still greater than the confusion in things due to the fact that the underlying causes of this postwar depression have never been sufficiently studied or explained with the necessary clarity. The few thinkers who have applied themselves to this task, such as the late Professor Charles Rist, have been unable to secure any degree of acceptance for their opinions. Others have only supplied superficial diagnoses, quite unsatisfactory for men endowed with realistic or critical minds. If economists are unable to reach an agreement in the interpretation of known facts, backed by a mass of documents and abundant statistical data, they show extraordinary conceit in claiming to be able to direct a planned economy by means of paper money.

The second obstacle to the return of the gold standard lies in the general adoption of the doctrine of "full employment." A liberal society can assure a high level of employment provided that no abuse is made of money and of credit, that government finances are run with economy and wisdom and that the price mechanism is allowed to function freely. But full employment as it is understood by modern economists, and by politicians in their wake, signifies nothing but inflation; and furthermore I am not so sure that the means which they advocate will not have as an end-result both inflation of prices and unemployment.

The third obstacle is to be found in the attitude of my country, the United States. On this subject I shall speak with all the independence of mind of which I am capable, because it is our very human freedom which is at stake.

Monetary order cannot return to the world without the initiative and cooperation of the United States. The economic power of my country is so great that our actions and even our omissions in monetary matters have repercussions in the rest of the free world.

Prerequisites for a Gold Standard

The re-establishment of the international gold standard requires first of all stopping the financing of budgetary deficits through money created by the banks as well as ending inflationary private banking credit. If these decisions were taken, the price of gold would have to be modified, or more exactly, the price in gold of paper dollars and other currencies, would have to be modified, for otherwise we should run the risk of inflationary pressures and readjustments which the free world would ill be able to support in the present social atmosphere and in the face of the economic offensive of Soviet Russia.

The present level of prices, a consequence of the flood of paper money issued to finance the war, is maintained thanks to the inflation of credit, and by the renewed financing by the banks of budgetary deficits. We are repeating the same error made after the first war, when we tried to maintain, through the abuse of credit the gold value of the dollar and of the pound as well as a price level which no longer had any normal relation either with existing gold reserves or with the production of new gold. I share the views of Charles Rist that the depth and the length of the 1929 depression can be largely explained by this monetary error, which brought about not only a general tendency towards lower prices in the presence of widespread and abnormal indebtedness, but also considerable disparities between the prices of finished products, wages and services on the one hand and those of raw materials and agricultural products on the other.

The question of the revaluation in gold of the paper dollar and of the other currencies gives rise to passionate opposition in my country. The reasons for this can be found, not only in prejudices and psychological factors, but also in the intellectual beliefs of a great number of professors teaching money and banking, which I shall try to elucidate. And yet, I am convinced, for reasons which I shall set forth later, that the implacable logic of the monetary facts will force us, in the not too-far-distance future, to change the gold value of the paper dollar, unless we should prefer a totalitarian society and a free world separated by *"sui generis"* iron curtains. As I see it, the only question that remains is whether this change will come about in an orderly or a disorderly fashion.

Quick Look at Monetary System

Let us first give a quick look at the American monetary system and at the repercussions it has had on the rest of the world by virtue of the events that have taken place following the 1929 depression.

The gold coverage which was at 40% for banknotes and at 35% for commercial banks deposits with the Federal Reserve Bank, was reduced in 1945 to 25% by means of a special law.

The dollar is not convertible into gold within the country and the free trading or possession of gold by individuals is forbidden (except for jewelers and dentists who can obtain it from the Federal Reserve Banks). Therefore, gold is no longer either a currency or a merchandise. The Federal Banks pay out gold against paper dollars only to the Central Banks of the rest of the world. I frankly do not know by what name it would be proper to call this monetary system, which in principle is based on gold but which violates all the basic rules of the gold standard. This absurd state of affairs was created in the aftermath of the crisis of 1929, without there ever having been a serious study made of the whole matter.

As you know, Professor Charles Rist maintained that the United States, which had recourse to inflation to finance the World War I, was able after 1920 to support the gold convertibility of the dollar owing to an absolutely exceptional situation which had compelled Europe to ship gold to the United States during the entire war of 1914-18. This explanation, while it is partly correct, seems to me to be incomplete. What happened after the First World War is exactly what occurred after the Second World War, namely, that the United States was the only large industrial country which could supply the goods for which the world had a pressing and urgent need, and the economic power of the United States in relation to the rest of the world had become such that its balance of payments had large surpluses, thus resulting in a sort of "dollar-shortage," an expression which gained great vogue after the Second World War.

But there is more. The Federal Reserve Act which came into force in 1913, on the eve of the First World War, already made possible considerable amount of monetary and credit inflation. The Act stipulated an equality between the value of the dollar and the value of a definite weight of gold. However, by virtue of its wealth and economic power the United States was able to obtain that the purchasing power of gold should conform to the purchasing power of the dollar, instead of the dollar conforming to the purchasing power of gold. As a matter of fact, after the First World War, the world was on a dollar standard, helped in this by the Gold Exchange Standard.

This system collapsed in the depression of 1929. The events in Europe after the advent of Hitler, resulted in a considerable flow of gold towards the United States, most of which was the property of Europeans.

Between 1933 and 1935 the laws regulating the Federal Banks were modified, thus making possible the massive inflation of money and credit that took place during and after the Second World War.

Until then banknotes had to have a coverage of 40% in gold and the balance in trade. The change in the Federal Reserve Act since 1945 allows the banknotes to be covered up to 75% by government bonds and the balance of 25% in gold. The total of banknotes issued has increased from \$4.5 billion in 1939 to \$28 billion in 1958.

Monetary Inflation Since 1928

To indicate how the swelling of means of payment has grown in the United States, I shall mention the following figures (means of payment are understood to include banknotes and demand deposits). Time deposits, although considerable, are excluded, but a really thorough study of the monetary situation in the United States would have to take these into account.

	Gold Reserves (billion)	Means of Payments (billion)
1928—December	4.0	27.0
1934—December	*8.2	23.1
1939—June	16.1	33.4
1941—December	22.7	†45.6
1945—December	21.0	†102.3
1949—December	24.4	‡111.2
1950—December	22.7	§117.7
1954—December	22.0	¶130.5
1957—October	22.6	135.0
1958—October	20.6	136.7

*After devalution. †World War II. ‡Marshall Plan. §Korean War. ¶Republican Administration.

Time deposits (of which at least half can be regarded as time notice demand deposits) have increased from \$20 billion in 1945 to \$98 billion in 1958.

The balance sheet of the postwar monetary policy of the United States can be stated thus: The Government of the United States, intoxicated with its economic power, seized by a sort of monetary megalomania, bathed in the euphoria of money and credit inflation, plunged into a policy of extravagant expansion having as its objective full employment and perpetual boom. A systematic policy of cheap money was put into practice, Federal banks were given the duty of supporting Government securities at a level which was not that of a free market, building was subsidized, agricultural prices were supported by the purchasing and storing of wheat, cotton, etc. and considerable quantities of industrial raw materials were stock-piled.

Pursuit of Contradictory Tasks

With a complete disregard of the lessons of the First World War and of the decade 1920-1930, an abnormal expansion of credit was superimposed upon the monetary expansion resulting from the financing of World War II. This seems to me the main monetary error committed by the U. S. Government and its consequences are still being felt, thus confronting our country with an inextricable dilemma. Many people still do not understand that monetary abuses cannot be cured by credit abuses, and the illusion is still being nourished that the inflation of credit can be sustained by a still more massive dose of credit and of currency. Thus the Federal banks came to be asked to undertake well-nigh impossible as well as contradictory tasks. The Federal Reserve Banks are required to maintain the economic activity of the country at a high level by expansion of credit and to support the Government's securities while at the same time they must prevent the rise in prices and in the cost of living. These are tasks for supermen, and I am not sure that even they could accomplish them!

To the extent that the economic and monetary policies of the United States were incompatible with the professed principles of international cooperation it was decided to remedy this situation by loans, gifts, etc. Since the end of the war approximately \$60 billion have been paid out to the rest of the world, of which a substantial amount returned to the United States as demand deposits (there are about \$15 billion of foreign demand deposits).

If I were to summarize in a synoptical fashion the results of the United States policy, here is what I would say: The free world has been put on a dollar standard, the dollar has been put on a government bonds standard, and the government's credit is largely dependent upon politics and labor unions. To clarify the facts, I would mention that banknotes (about \$28 billion) and commercial bank deposits with Federal Reserve Banks (about \$18 billion) are covered to the extent of about 60% (*26 billion) by government securities.

I now come to the question of the present monetary situation in the United States and to the reasons for which I am led to believe that a change in the gold value of the dollar and of other currencies will be forced upon us much sooner than those who deal with these matters believe. I share the opinion that such a change will become necessary more for national American reasons (if my country does not wish to drift into totalitarianism) than for reasons of international liquidity, although there is a close connection between these two aspects of the problem of the price of gold.

Disagrees With IMF Report

The Monetary Fund has just published its report on the question of international liquidity. Its conclusion is that there are no proven or obvious needs justifying a change in the price of gold. I am afraid that this conclusion was reached and publicized to a great extent to please my country, because the facts brought out in the report do not warrant such a conclusion. The present position of the dollar is well described therein and yet the consequences which ensue from it, and of which I am going to speak later, are not even being considered. Nothing is said, to be specific, about the precarious, not to say alarming, situation of the Government securities market, on which the dollar is based. The report apparently considers as being without danger, despite the experience which followed the 1929 crisis, the abnormal use we make of the dollar-pound-exchange standard. They pretend to think that everything is for "the best in the best of all possible worlds" regarding the convertibility of currencies, and this at the very time the Monetary Fund publishes a volume of more than 300 pages giving all the regulations concerning exchange control and restrictions in all the countries of the presumably free world!

I have grouped together here a few of the facts which lead me to believe that the free world has reached an important monetary turning point and that inexorably the proce of gold will have to be changed and first of all for national American reasons.

(1) First, we have the demoralized state of the Government

Continued on page 28

*Paper presented before the l'Academie des Sciences et Politiques, Paris, France, Nov. 10, 1958.

Current Gold Outflow And Its Significance

By DR. M. A. KRIZ*
The First National City Bank of New York, New York City
Formerly Chief of Foreign Research Division,
Federal Reserve Bank of New York

America's top gold analyst calls for deeds, not words, to prevent doubts concerning the assured maintenance of the dollar price of gold. Dr. Kriz attributes gold outflow to gold purchased by foreigners with currently earned dollars resulting from our balance of trade reversal, and not from massive conversion of foreign-held dollars, and to opportunity presented by recent favorable price for gold in the London market which prompted central banks to buy their gold here. He does not dismiss the possibility of a run on the dollar, as on any other currency, nor regard our gold position with complacency. Adds, however, that our resources and productivity are recognized, that inflationary pressures are weaker here than abroad, and that we are international creditor nation on long term account.

Dollar expenditures of foreign countries during most of the past decade fell short of their dollar receipts. As a result, foreign countries acquired large amounts of dollars and some of them chose at times—and especially during 1958—to convert them into gold rather than to add to their dollar holdings. I shall review briefly the current gold outflow from the United States and its significance. Once we have clearly in our minds what has happened, we shall be able to pass a better judgment about whether there are reasons for concern over the dollar.

Miroslav A. Kriz

Balance of Payment Reversal

During the first nine months of this year, the United States had a deficit in its commercial and financial transactions with foreign countries of $2.7 billion. Of this amount, foreign countries used $2.1 billion to purchase gold from the U. S. Treasury. The shift of the United States from the position of a net buyer of gold in 1956 and 1957 to that of a net seller in 1958 reflected, basically, a sharp reversal in the United States balance of payments with the United Kingdom and Continental Western Europe. At the time of the Suez crisis in late 1956 and at the high of the world-wide inflationary boom in 1957, most of these countries had lost gold and dollars to the United States; but with the passing of the Suez emergency and the restoration of financial stability, they put an end to excessive imports and capital flight. This in turn brought about a decline in United States merchandise exports from the unusually high levels of the second half of 1957 as well as some repatriation of foreign short-term funds. At the same time, United States merchandise imports were well maintained, and government grants and loans as well as private capital outflow continued at high levels.

Not all currently acquired dollars, however, were used to purchase gold from the United States. While no single figure reveals current short-term dollar assets of foreign countries, enough may be inferred from the Federal Reserve Bank statements and various data showing foreign deposits at American commercial banks to conclude that there has been so far no decline in the aggregate of such assets. The gold outflow that has occurred so far cannot therefore be regarded as having been caused by a massive conversion of foreign-held dollars into gold. From February through August, Switzerland and the United Kingdom reduced, it is true, their dollar assets, but Canada, Germany, the Netherlands, and other countries continued to add to their dollar holdings.

Favorable Price in London Gold Market

An important reason of a technical nature for the large United States gold sales to Continental Western European countries was the rise—for the first time in recent years — of the U. S. dollar equivalent of the London gold price slightly above the United States Treasury's selling price of gold ($35.0875 per fine ounce). This price reached its highest level in mid - October — about $35.14—but subsequently declined and stood Nov. 18 at about $35.10. The rise in the London price has made it, of course, cheaper for central banks to buy gold in New York. The London gold price rise in turn reflects the fact that much of the gold coming into the London market from the Union of South Africa and other countries finds its way into the monetary reserves of the United Kingdom instead of being sold—for dollars —to foreign central banks and private buyers, as during most of the earlier years.

In the light of United States balance - of - payments developments so far this year and in the light of the established policies and practices of foreign monetary authorities with regard to the form of their international reserves—whether gold or dollars—the current gold outflow from the United States appears as a normal part of the working of the international monetary mechanism. Most countries other than the United States maintain the external value of their currencies by being ready to enter as buyers or sellers of United States dollars at the limits of a given range. By buying gold whenever other countries need to replenish their dollar balances in order to intervene in the exchange markets, the United States helps preserve the stability of the existing exchange rate structure. The United States has thus acquired large amounts of gold during the last quarter of a century. Obviously, there would be no justification for having, at a fixed official price, bought this gold in the past if the United States were not also ready to sell it, at the same price, for the purpose of keeping stable the international value of the dollar. The interconvertibility of the dollar with gold in transactions with monetary authorities is an essential feature of the international gold bullion standard as it functions today.

Yet, the magnitude and the speed of the current gold outflow are reminding us once again that the trends and developments in the United States balance of payments are matters of great import and significance. In fact, concern is being expressed, both here and abroad, over the dollar. To be sure, this country is still holding over one-half of the Free World's monetary gold stock; but the United States whose dollar is increasingly used, along with sterling, as a world-wide means of payments and a currency in which to keep monetary reserves, needs a gold stock adequate for its domestic as well as international responsibilities.

Our Gold Coverage

Domestically, gold is held as the 25% legal cover for Federal Reserve note and deposit liabilities. On Nov. 12, the U. S. Treasury's gold stock amounted to $20.7 billion, and of this amount, $11.5 billion was required as cover for currency. The actual ratio stood at 43.5%, as compared with 47.4% in mid-February, before the gold outflow from the United States began. Despite its decline, the gold reserve thus exceeds by a wide margin the statutory requirement.

Gold not required as cover for currency stands at about $8.5 billion. It is therefore less than the United States short-term liabilities to foreign countries on official as well as private account, which in August 1958, the latest date for which figures are available, amounted to $14.2 billion. Of this amount, however, $5.8 billion was held by commercial banks, business firms and individuals largely as working balances and reserves against contractual obligations to Americans; such private holdings cannot be used to purchase gold from the United States. The remaining $8.4 billion represented holdings of monetary authorities. Although such holdings are not legally convertible into gold, the United States has for almost a quarter of the century followed the practice of converting them into gold; a large part of these holdings consists, of course, of working balances to meet current or prospective payment requirements or to operate in exchange markets. As I have already noted, gold bought this year by foreign countries as a whole has been purchased with currently acquired dollars, not by drawing down existing short-term dollar assets.

Foreign countries are also holding American stocks, bonds, and other securities, which were worth some $8 billion at the end of 1957. Data published currently in the Federal Reserve Bulletin show no evidence of any massive liquidation of portfolio investments by foreigners.

To be sure, there is always a possibility of a run on the dollar as on any other currency. Even more important, the pressures on the dollar could come not only from foreigners but also from Americans. Today, however, there are no indications of any widespread flight from the dollar into gold purchased and held by United States residents in various centers abroad.

Argues Against Complacency

Yet, the gold position of the United States must not be regarded with complacency. There is a growing inflation-mindedness in America itself; the Treasury has to deal with difficult and delicate problems of financing a peace-time record budgetary deficit and U. S. Government bonds are in disfavor; and there is emerging a new wage-price push that may well nullify expected increases in labor productivity and, among other things, price American goods out of world markets. A flight from the dollar might be touched off if the idea gained ground that conditions were developing under which a rise in the dollar price of gold would appear inevitable.

Americans as well as foreigners are, of course, aware of the large real resources and high productivity of the American economy, the largest and the most productive economy of the Free World. Furthermore, inflationary pressures have been, and may well remain, weaker in the United States than in most foreign countries. Finally, although the United States is an international debtor on short-term account—its liabilities to foreigners greatly exceeding its banking claims of them—on long-term account it is an international creditor; our investments abroad exceed by $36 billion the foreign investments in this country.

On balance, therefore, there are many elements of strength in the United States international position. There is no doubt, however, that the United States, like other countries, is exposed to many economic and financial strains and stresses. Foreign bankers, businessmen and investors are—understandably — watching how we handle our monetary and fiscal affairs. What counts, therefore, is the determination of the United States Government and of the Federal Reserve System to safeguard economic and monetary stability and thus prevent — by deeds, and not by words alone—the spread of doubts concerning the assured maintenance of the dollar price of gold.

*An address by Mr. Kriz before the Economics Roundtable of the 45th National Foreign Trade Council, New York City, Nov. 19, 1958.

Customers Brokers Annual Xmas Party

The Association of Customers' Brokers will hold their annual Christmas party on Dec. 3 at White's Restaurant. Tariff including dinner and gratuities is $7. Reservations may be made with A. Frank, Ladenburg, Thalmann & Co.

Loewi Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Harry M. Hintz has been added to the staff of Loewi & Co. Incorporated, 225 East Mason Street, members of the New York and Midwest Stock Exchanges.

Joins Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Robert G. Morris has joined the staff of The Marshall Company, 765 North Water Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

The long-overdue correction in the stock market came with a thud this week when industrials were given a one-day trouncing that was sharper than anything seen in three years.

In fact, if it hadn't been for a break of nearly 32 points in late September, 1955, at the time of the President's heart attack, which in turn was the sharpest one-day setback since 1929, the comparison would have stretched back more than three years.

The inevitable fishing around for a reason centered pretty much on what appears to be a topping out of steel production, with the auto makers still not overly prominent as buyers, plus Administration intentions of tightening up the Federal budget. But the selling had already started before these announcements were made and a sharp drop on last week's final session built up a good load of weekend orders aimed at protecting profits. And once these hit, the list collapsed rather easily with the selling carrying on into the week.

In the several days of selling more than two dozen points were trimmed from the record high standing of the senior average. This, however, is still short of even the minimum range of a full correction so trading is still a nervous affair.

Institutions Sitting Pat

Sketchy statistics so far available, and the opinions of brokers generally, support the contention that up to here, anyway, the selling has been mostly from the public with the institutional and investment company investors sitting pat or shopping for bargains on sharp selling. There was some talk of foreign liquidation, balanced off by buying in special situations, so that these rumors were inconclusive.

Rails were less pressed than the industrials, mostly because they didn't have the many excesses that the industrials did. And Pennsylvania Railroad was able to make uphill progress right through the selling to provide a bright spot in the group.

Utilities were carried downhill with the general selling, a pronounced bit of easiness in Consolidated Edison following announcement of a $60 million convertible debenture offering.

Apart from new easiness in the price of copper, the business background wasn't unfavorable and predictions of operations reaching a peak for the year in this quarter were many and varied. A few dour dividend actions, however, continued to weigh on specific situations even where prospects for improving business were good.

Bearish Technical Factors

Technical aspects weren't overly depressing although still favoring the bears. Trading expanded on selling, including the appearance of 1,287 issues on one day of pressure which was the second broadest list in history and only three shy of the record 1,290 issues that appeared early in 1955 as one day's work. Late tickers were numerous even within a single session and mostly when selling showed up to depress the list or to kill off any feeble rallies.

Motors weren't too badly affected by the selling and American Motors, after declaring a stock dividend and reporting good earnings, was able to run counter to the trend most of the time. Except for the low-priced items, there hasn't been any enthusiasm on a broad scale for the Big Three in this section for a long time which left little to be corrected.

An Upstanding Electronic

Some of the electronics were able to shrug off the general selling easily, notably Siegler which bolstered the fast shrinking list of new highs posted this week. As was pointed out in these pages last week, the company has done a rapid shift in only four years to join the ranks of the important electronics outfits with both rapidly increasing sales and profits and still available at a modest price-earnings ratio against the other more popular items in the group.

Oils continue laggard except for Richfield which was able to rush to a couple of new highs right through the selling deluge. But since the items in this group had been neglected for so long, they weren't overly conspicuous under pressure even when selling was general. Socony Mobil, for one, was being looked at far more kindly by several markets students since it was able to hold up its sales well although the company isn't expected to maintain this year the 50-cents extra paid last year. The cost-pinch, however, hasn't put the $2 regular rate in any jeopardy while the price has declined about a dozen and a half points from last year's peak to go a long way toward discounting the bad news ahead, and the company appears on the brink of improving fortunes.

Atlantic Refining was another oil in mild demand on the prospect of far better results next year than this, a dividend that is well covered by even this year's depressed earnings and a yield of around 4.7% which is a far better return than available in issues where all the recent demand has centered.

Ashland Oil is another high-yielding item in the oils, its yield running around 5½% and its regular dividend is also believed to be well covered despite a decline in profits this year. The company is noted for turning in good profit results even in trying years and, with the upturn in oil, business and the general economy continuing into next year, improvement in results shown by Ashland in the September quarter could gain momentum.

Among the rail fanciers the recent fad has been to favor the Eastern roads since they were so well depressed that they were logically the candidates for dynamic recovery as the recession waned. But the market setback chilled this game a bit and attention was mostly concentrated on the Western roads that have been little affected, profit-wise, by the recession. And they are still among the higher-yielding items around. Southern Railway and Santa Fe both offer returns well into the 5% bracket and neither has been unduly affected by the business downturn, their results comparing very favorably with last year. Santa Fe, pricewise, has held about in last year's range while Southern has only nudged out of last year's range on the topside recently.

The Chemicals Hit

Chemicals were in the forefront of the groups that bore the brunt of the recent selling but there were items in this group that hadn't participated in the bull swing and had little to correct. Olin Mathieson, chilled by a dividend cut earlier in the year, has been virtually stagnant but, on the other hand, has not had the sinking spells it did when its previous dividend was in jeopardy nor, for that matter, approached the low it posted then before the bad news was official. Its earnings are definitely going to make poor reading this year since large, non-recurring start-up expenses are being charged off this year. It does, however, point to a virtually assured rebound in profits next year piled on top of operations that are improving steadily.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold their annual election on Friday, Dec. 5 at the Bankers Club. The following slate has been nominated for 1959:

Bernard J. Conlon

Barney Nieman

John S. Barker

Salvatore J. Rappa

Wilbur Krisam

President—Bernard J. Conlon, P. E. Fox & Co., Inc.

First Vice-President—Barney Nieman, Carl Marks & Co., Inc.

Second Vice-President—John S. Barker, Lee Higginson Corporation.

Secretary—Salvatore J. Rappa, F. S. Moseley & Co.

Treasurer—Wilbur Krisam, John C. Legg & Company.

Directors (Two-Year Term)—William J. McGovern, Blyth & Co., Inc.; Frank J. Orlando, Goodbody & Co.; Elbridge A. Smith, Stryker & Brown; Bernard Weissman, Gold, Weissman & Co.

Trustees of Gratuity Fund (Two-Year Term)— Vincent M. Gowan, Goldman, Sachs & Co.; Charles M. Kaiser, Grady, Berwald & Co.

National Committeemen— Samuel F. Colwell, W. E. Hutton & Co.; Stanley L. Roggenburg, Roggenburg & Co.; Alfred F. Tisch, Fitzgerald & Co.

National Committeemen Alternates—Stanley E. Dawson-Smith, Cruttenden, Podesta & Co.; Joseph R. Dorsey, Bache & Co.; Thomas Greenberg, C. E. Unterberg, Towbin & Co.; Robert M. Topol, Greene & Company; Stanley M. Waldron, Merrill Lynch, Pierce, Fenner & Smith.

Nominating Committee (Four Members to Be Elected)—Leslie Barbier, G. A. Saxton & Co., Inc.; Henry G. Bruns, T. L. Watson & Co.; John Butler, The First Boston Corporation; Thomas L. Curry, Stone & Webster Securities Corporation; Edward A. Horn, Kuhn, Loeb & Co.; Sidney Jacobs, Sidney Jacobs Co.; James Francis Kelly, Kidder, Peabody & Co.; T. Frank Mackessy, Abbott, Proctor & Paine; John M. Mayer, Merrill Lynch, Pierce, Fenner & Smith; John J. Meyers, Jr., Gordon Graves & Co.; Daniel G. Mullin, Tucker, Anthony & R. L. Day; "Hank" Serlen, Josephthal & Co.; Homer Wirth, Mabon & Co.

The Polls will be open from 4 to 5:30 p.m. and the annual meeting will convene at 5:15 p.m. At the conclusion of the meeting a cocktail party will be held.

SAN FRANCISCO SECURITY TRADERS ASSOCIATION

The San Francisco Security Traders Association at its annual meeting elected Albert A. Hewitt of First California Company as President of the association for the next year. Leslie J. Howard, Jr., of J. S. Strauss & Co. was named Vice-President, and Robert F. Loberg, J. Barth & Co., was named Secretary-Treasurer of the association.

Albert A. Hewitt

In addition to the officers, the following were elected directors of the association: William Belknap, William R. Staats & Co.; Donald Agnew of Stone & Youngberg; Frank Notti, Schwabacher & Co., and Richard A. Hennig of Brush, Slocumb & Co., Inc.

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold their 24th annual dinner on Friday, Jan. 16, 1959 at the Southern Hotel. Harry J. Niemeyer, Robert Garrett & Sons, is Chairman of the entertainment committee.

The Danger of Inflation And a Program to Combat It

By DONALD C. MILLER*

Second Vice-President, Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.

Gravely concerned about the dollar's down-hill slide, Chicago banker submits anti-inflation program which he describes as being neither radical nor extreme. Mr. Miller proposes placing our economy and fiscal policy on a non-partisan business basis, creating a Watchdog Committee for Expenditures, enactment of Saltonstall Resolution requiring a minimum of even one percent siphoning of tax revenue into debt retirement, and a vast public relations educational campaign to awake Americans to how inflation jeopardizes our economy.

For the past 20 years our economy has been affected by our efforts in World War II, the Korean War and the necessity for continuous expenditures to defend our nation. This constant spending has created an inflated economy that was unthinkable a generation ago. As a result of this false prosperity, we as a nation have developed a habit of national extravagance far and beyond our wildest dreams.

Certainly all visionary people recognize the inflationary dangers involved and can see the possibility of ultimate economic chaos.

The Communist nations, with their low standards of living and single-minded ambitions to overtake the capitalistic world, are hoping and waiting rather impatiently for this to happen.

In our Democratic form of government we demand the right to criticize, except in times of war, yet we feel our responsibilities to our government are discharged primarily through taxation. Everyone criticizes the government regardless of administration, but very rarely does anyone offer to help solve the problems.

For many years large segments of the population have been demanding more and more from our central government in Washington. Our strongly organized labor unions have demanded higher wages, irrespective of productivity, and our large corporations in turn have raised product prices, all of which has raised living costs to a point where the purchasing power of our dollar has been reduced to less than one-half of its former value within the last 20 years.

Adding to this problem have been the demands of veterans' organizations, agriculture and other subsidies, without mention of the many billions that foreign aid has cost us.

This type of prosperity tends to create an increasing inflationary condition that could, in time, devastate our economy as we now know it, unless we take steps promptly to reverse and check this trend.

How long can we continue to be Santa Claus without ruining our economy? Do you know of any nation that would help us shore up our economy as we have helped many other nations of the world?

Our gold reserves were reduced by approximately two billion in the last year, our exports are less and our imports more. Our national debt of more than $280 billion is coming due at the rate of about $75 billion per year. It's time more of us gave thought to this serious problem.

People living on Social Security, modest pensions, small fixed income, workers who receive minimum wages, and others of small means are feeling pinched by the reduced buying power of today's dollar, and as time goes on, more and more of the population will be affected. Yet the average person feels little or no concern for these problems so long as he enjoys prosperity, and he usually says, "It is up to the government."

Because of the many world crises in recent years and the general level of prosperity enjoyed by the American people, they have become apathetic to the latent dangers of our economy—an appalling situation.

In 1918, after four years of World War I, five French francs could be exchanged for one American dollar. Today, 450 or more French francs are exchanged for one American dollar, and all of us know the hundreds of millions of dollars that we have loaned or given France to help stabilize her economy, each time a crisis has arisen. The same situation applies in varying degrees to Italy and many other countries in Europe and Asia and to almost all the countries of South America.

German currency has twice become worthless during our lifetime, but in each case we have been able to help her start over. German economy is now making apparent sound progress—with memories of its bitter experience.

Praises England's Efforts

England is the one major nation that has not permitted inflation to ruin its economy in spite of its inability to grow enough food to feed itself and despite its need to import many other vital materials. Their economy also suffered greatly from war and other problems. We should briefly mention that England undertook to solve this difficult problem for itself. True, we have given England considerable help, but the English people have made special efforts to keep the cost of living down, which in turn has kept wages at a relative level. England has reduced imports to a bare minimum, made greater efforts to export, raised the Central Bank rate to 7% at times (the highest ever known in recent years), and maintained very high general and inheritance taxes. In a few words, every element of the population has had to share the burden for the good of the country as a whole. This should serve as an object lesson for the United States.

In spite of her many problems and lack of many natural resources, England has maintained a relatively stable economy. Shall we try to follow in her footsteps or shall we go merrily along until we reach a condition comparable to France?

In this country the press and other publications are constantly telling the public how to "beat" inflation—what to buy—what to sell—what to hold—all of which adds fuel to the fires of inflation and discourages investments in long-term bonds and other fixed income investments and trades on the fear of what our dollar will buy when it is ultimately repaid.

Are we going to permit our dollar to continue its down-hill slide until it has a value of only 25 cents, and perhaps a few years later down to the value of French or other currency that has gone through the bitter experience of inflation?

Does this prospect seem fantastic or impossible?

I for one feel this is a matter of time and degree and will certainly be the end result unless we develop some concrete plans to counteract this dangerous trend, which would ultimately ruin our country even though it is still the number one nation of the world. I know that I am not alone in my concern.

Politics are usually blamed for all of our ills. Actually we frequently get the type of politicians we deserve and much of the legislation we demand. Many of our Congressmen are devoted public servants and are trying to do a constructive job for an altogether too apathetic constituency.

Cites Substantiating Views

Congressman Leon Gavin of Pennsylvania, for example, warned in the closing days of the last session of Congress:

". . . the government today is becoming a government of pressure groups—in fact, a government of subsidies. We subsidize many and varied programs—from agriculture to minerals, and we are creating a utopia where no one can lose. The government will protect and finance all phases of our economic and social life. We may go bankrupt and create chaos; however, these programs must go on. Certainly we did not build our country on subsidy programs. America was built by hard work, thrift and frugality. Unless we change the trend, I am quite certain we will end up with a bureaucratic government overlording all phases of our economic and industrial life."

Congressman Clarence Cannon, Chairman of the House Appropriations Committee, Congressman Wilbur D. Mills, Chairman of the House Ways and Means Committee, Congressman Keith Thomson of Wyoming, and Congressman John Byrnes of Wisconsin, all spoke forthrightly in opposing the vast expenditures that were being voted by our last Congress.

Excerpts of many statements by these men appear in the First National City Bank of New York October Monthly "Bulletin." The same "Bulletin" also contains the following statement made Sept. 15, 1958, by Federal Reserve Board Governor M. S. Szymczak:

"The hardest, most tragic way to prove the folly of the notion that there can be any such thing as 'permanent inflation' is to let a little inflation snowball into a big one that must in time collapse with consequences heavy in human hardship.

"The . . . more sensible way is to pursue a course that will make for a sound, stable dollar, and thus overcome expectations of inflation by demonstrating they are groundless."

Senator Byrd has for years demanded economy and fiscal sanity. Senator Saltonstall has introduced an excellent resolution that will be referred to later. Senator Williams of Maryland has consistently argued — less Federal spending is the only way to get lower taxes.

These are but a few of the men in both houses of Congress that recognize the danger of our inflationary madness in recent years. This minority can be made into a majority if we take time to do something towards making it so.

Certainly all of us, and all other enlightened people want to do something to help those in Congress that are making efforts in the right direction.

Calls on Civic Clubs

I am certain that civic-minded clubs would want to discuss this vital problem, and I felt that this is one of the first places where it should be presented.

Civic clubs are composed of highly intelligent patriotic citizens, interested in the broad nonpartisan problems of our community and country, and I have every confidence that other like-minded organizations and people will lend their efforts and cooperation.

Civic clubs can take constructive steps — arrange committees to work with other groups such as the Bar Association, Kiwanis clubs and many other community and civic organizations for the purpose of acquainting the people with the problem of inflation—and ask people through the press and radio to write their Congressmen and Senators about it — combine with and encourage other institutions such as banks, insurance companies, pension funds, labor unions and the public generally to demand a fiscal policy that will give us hope for greater economic stability in the future. This is a very brief outline and obviously will have to be expanded upon.

We must develop a reversal of the defeatist thinking that now exists among many people, including those who have an understanding of the problem but are waiting for leadership to push it in the right direction.

The "Mortgage Banker," Publication of September and October has had excellent articles by profound thinkers, including Dr. Edwin C. Nourse and Dr. E. Sherman Adams, pointing up the dangers of inflation. These articles state the problem and what the future will be unless there is concentrated efforts on the part of all leaders in finance, business, labor, the press and opinion molders generally to fight hard until this problem is solved. We will have to stop thinking in terms of business as usual, partisan politics or whether our personal interest is favorably affected.

Unless the economy of our country as a whole has stability, our personal economic security will suffer proportionately. This applies even more to the average person of small means, whether their savings is in government bonds, savings banks, insurance or any other form of investment.

NOW—what can be done about this perplexing problem?

After much thought, many discussions, correspondence with public officials, elected and appointed, I would like to offer the following as the basis for a program which I believe can be achieved, providing we can fire the imagination and energy of those who understand and are concerned:

Offers Anti-Inflation Program

First and foremost, and perhaps one of the most difficult steps, but not an impossible one,—**the economy and fiscal policy of the country must be put on a non-partisan business basis.** Our foreign policy has operated in that manner on many occasions in recent years. Surely the inflation danger we are confronted with is equally deserving of such consideration.

We must have a solemn pledge from the leadership of both political parties that the economy of the country will be put on a business-basis and operated as such hereafter.

A second step, closely tied to the first,—would be for the leadership of each political party in Congress to select two **qualified** representatives each from the Senate and House, making a total of eight members. These men, together with the Secretary of the Treasury or Director of the Budget, as the President directs, can be regarded as the Watchdog Committee for Expenditures. This Committee would carefully review

Continued on page 28

*An address by Mr. Miller before the National Affairs Committee, City Club of Chicago, Chicago, Ill., Oct. 28, 1958.

Providing Guarantees and Credit for American Exporters

By FRANCIS X. SCAFURO
Vice-President and Manager, Bank of America, New York City

Commercial international banking expert submits a detailed plan and plan of action designed to re-establish promptly the American exporter's competitiveness, in so far as export credit, exchange and political risk is concerned, with his European counterpart. Mr. Scafuro refers to our past unsuccessful attempts to set up American export credit guarantee organization; draws on European experience; cautions he is not offering either a cure-all for export sales financing or runaway credit extension, and asserts the proposed Plan can promote foreign trade and help our overseas friends without "giveaway," "subsidy" or "direct government loan." In short, the banker explains how a self-supporting system of private financing could privately own and operate comprehensive export credit, exchange and political risk guarantees—with limited government assistance strictly on a business basis—badly needed in overseas sales.

Exporters in all leading commercial and industrial nations except the United States today enjoy the advantages of comprehensive commercial credit and political and exchange risk insurance to protect their foreign sales. The recent initiative on the part of one American underwriter in offering purely export commercial credit insurance is an important first step in the right direction; however, the greater risk lies not so much in the overseas buyer's failure to pay in his national currency, but more importantly in the hazard that blockage of payment may result from unpredictable temporary dollar exchange restrictions and/or certain other related political risks inherent in overseas sales.

Francis A. Scafuro

The lack of such comprehensive guarantees places American international business at a disadvantage with exporters in other countries where there already exist well-organized, soundly operated export credit guarantee systems covering both commercial credit and political and exchange risks.

American exporters are confronted by the fact that in many cases credit terms are becoming more increasingly important in effecting sales abroad. Risks increase as terms become more extended. Frequently the supplier cannot reasonably assume the entire risk, and the commercial banker, even when he has longer term funds available for export financing, cannot always prudently relieve the exporter of the inherent political and exchange risks.

In the national interest there should be promptly established (with limited government assistance, on a business basis) a privately owned and operated system of comprehensive export credit, exchange, and political risk guarantees.

Existing U. S. Government and International Agencies do not provide the type of guarantee assistance required by our general commercial exports. There is an urgent demand, a need, and an opportunity for a greater self-supporting system of private international financing. This expanded demand can be satisfied without use of U. S. Government funds. Our existing private international banking and financing organizations can do the whole job, provided the auxiliary missing link—one or more Export Credit Guarantee Corporations—is set up (with private capital) to perform the function of not only spreading the normal foreign commercial credit risks but also of underwriting the unpredictable and unmeasurable political and exchange (convertibility) hazards.

Reasons For Past Failures

Past Attempts to Set Up an American Export Credit Guarantee Organization have failed for a number of reasons:

First: Lack of concerted effort by the exporters themselves in making known their need for a comprehensive guarantee system comparable to those of competing nations.

Second: Lack of understanding by American exporters and bankers (and legislators) of the principles and techniques involved and safeguards available in the writing of such "all-risk" credit insurance.

Third: The inability of existing U. S. Government agencies to meet the needs of a large segment of our export industries and the past unfounded feeling in some government circles was that diplomatic friction with other countries might result from any action on the part of a government-controlled guarantee corporation's setting of varying rates for each buyer country or refusal to issue guarantees relative to exports to certain countries.

American exporters are now more keenly aware of the need for these comprehensive guarantee facilities because it has become very evident that the availability of such guarantees in other countries is contributing to the continual loss of foreign markets for American manufactures and farm products.

Regarding the fears of friction arising from direct U. S. Government operations in this guarantee field, the solution lies in the creation of Export Credit Guarantee Corporation(s), operated on a private enterprise basis, entirely independent of U. S. Government ownership or management. Actually such diplomatic friction has not resulted from the operation of comprehensive guarantee systems by other trading nations.

Submit Detailed Plan

A New Plan for Formation of an American Export Credit Guarantee Organization: A **specific Federal law** should be enacted to grant a special Federal charter to privately organized and owned Guarantee Corporations. This charter might give the Guarantee Corporation the exclusive privilege of obtaining in effect reinsurance in the form of "disaster" or "catastrophe" **loans** from the United States Treasury (or its designated agency) under certain well defined circumstances. However, such legislation should deal solely and exclusively with the coverage of non-commercial risks, **i.e.,** only "political and exchange risks," leaving the matter of commercial credit insurance entirely within the discretion of privately owned and operated insurance companies.

Operations: (a) All premium fees collected covering **political risks** would be deposited by the Guarantee Corporation in a **"Political Risk Guaranty Reserve Fund"**; after having made due allowance for administrative expenses of the corporation. All fees collected for commercial credit risk coverage should likewise be deposited in a Special Reserve Fund for payment of claims arising from commercial credit defaults or insolvencies, after having made necessary allowances for expenses and dividends.

(b) If at any time moneys in the "Political Risk Guaranty Reserve Fund" should not be sufficient to pay liabilities of the corporation under any "political risk and exchange risk" guaranty contract, the Guarantee Corporation would be authorized and entitled by the specific enabling Federal statute to borrow from the Treasury of the United States (or its designated agency), such funds as in the judgment of the corporation would be required for the purpose of paying claims under **political risk** contracts. As collateral for such loans, the Guarantee Corporation would assign to the lending U. S. Government agency the claims settled with proceeds of such loans. These government "loans" would be repaid out of recoveries from the relative frozen receivables or from premium income on the Corporation's political risk contracts issued thereafter.

All other claims arising from claims due to purely commercial credit factors would have to be paid out of reserves accumulated from premiums for coverage of the commercial credit risks and/or from the corporation's other assets (excluding earnings from exchange and political risk coverage).

One may reasonably assume that over the longer run, the corporation's reserve for political and exchange risk coverage will accumulate to the point where less and less reliance will be had on government assistance to meet the catastrophe claims arising from unforeseen political and exchange disturbances.

The U. S. Government lending agency would be entitled to a reasonable commitment fee for "standing by" to make loans up to a predetermined maximum amount to cover claims arising from **political and exchange risk factors** in each country. These "country limits" would be determined by the corporation's management with the cooperation and concurrence of the government agency responsible for making some eventual loans to the corporation.

(c) The corporation, after giving due consideration to risks soundly acceptable, would be authorized to enter into guaranty contracts with respect to exports in order to assure against any loss arising from non-payment due to causes of a purely political nature, such as unduly prolonged exchange transfer delays and other governmental actions which cannot be assessed or considered as part of the **commercial credit** risk in connection with the export or an agreement for the export of goods. Guaranty contracts should be assignable to banks or in certain circumstances issued directly to banks to facilitate financing.

(d) For such guaranty contracts, separate fees would be charged for commercial risks and political risks in amounts calculated to make the corporation self-supporting.

(e) All guaranty contracts would require the party guaranteed to retain at least 10% of each commercial or political risk of loss, and the corporation might vary this percentage above that minimum with regard to any new contract from time to time as deemed advisable.

The Cost of Coverage

The rates of premiums charged by the guarantee organization(s) in other countries have ranged from about ½% to 8% of the insured unpaid balance of the invoice, depending on such factors as length of credit, country to which goods are being shipped, credit standing of the buyer, whether the buyer is a government or a private individual, type of goods involved, and risks insured against.

The proposed American "Export Credit Guarantee Corporation," in fixing its premium charges, would separate the two classes of risks — viz., normal commercial credit risks and "non-commercial" or political and exchange transfer risks. With respect to the first class, i. e., normal commercial credit risks, the corporation would have complete flexibility in exercising its full discretion in evaluating the various shades of business or commercial credit risks and fixing a rate appropriate for this normal risk. With regard to the "political and exchange transfer risks" by charter or by Federal Regulation, the corporation would have to adhere to a range between a minimum (say ¼ of 1%) and a maximum (say 6%).

The government, in other words, would not dictate rates by countries nor vary such rates from time to time. The corporation's management would be expected to use the utmost prudence and sound judgment in applying confidentially rates which would correspond to the varying circumstances and fluctuating exchange, economic, and political conditions on a country-by-country basis.

How Would an Exporter Absorb These Guarantee Premium Costs? First, the added cost may well be substantially offset by a finer or lower bank financing charge when loans are collateralized by receivables insured or guaranteed. A part of the premium cost can also no doubt be generally passed on to the buyer in the pricing of the goods.

Reviews Foreign Experience

The Experience of Other Countries Operating Export Credit Guarantee Systems Is Uniformly Favorable: In all cases expenses and loss claims are met and profits appear possible. Periodic exchange difficulties in some countries will cause sudden drains of the Guarantee Corporation's reserves and result in temporary operating deficits, but claims paid against such "frozen receivables" are generally eventually fully recovered. The operating results for coverage of commercial credit risks can be more precisely and scientifically controlled and therefore, need present no problem from the standpoint of profitable operation.

The potential market for the comprehensive guarantee is good. Recent inquiries among a small but select group of important U. S. exporters indicates that substantial immediate use would be made of the corporation's facilities. It is estimated that there are at least five to six thousand American manufacturers and exporters who now extend payment terms to customers abroad, and the number is growing. As competition mounts, each supplier finds it increasingly necessary to grant payment terms to maintain his position in the market. It is inevitable that, as this trend deepens, more exporters will be obliged to extend credit and financing facilities comparable to those available to their foreign competitors.

Self-Evident Purposes Listed

The Purposes of the Guarantees to Be Provided Are Self-Evident: No **direct "cure-all"** can be expected for export sales financing even when guarantees as outlined above are made available. However, if political and exchange risks are substantially covered, reasonable assumptions concerning tangible benefits to exporters are:

(1) With assurance against the risk of being "frozen in" in any given country, the exporter is freer to increase his worldwide exposure. Thus, two concepts are blended: **Stabilizing** or assuring trade in one market will **encourage** or **liberate** the exporter to expand his business in other and possible better markets.

(2) More adequate payment terms and credit facilities could be offered (always within prudent limits).

(3) At least some commercial banks would view more favorably undertaking additional longer-term export financing when the risk factors are insured.

(4) More private capital would be attracted to the foreign financing field once the unpredictable political and presently commercially uninsurable risks are substantially removed.

Credit Control

The Guarantee Corporation would have to have under continuing review all political, economic, balance of payment, and foreign exchange situations in all countries. The sources of authentic information which would be available to such Export Credit Guarantee Corporation(s) would be many—the State Department's diplomatic and consular services, the field service of the Department of Commerce, the World Bank, Eximbank, International Monetary Fund, the Export Credit Guarantee organizations of other countries, such as the Union de Berne, the International Credit Insurance Association, our own Federal Reserve Banks, and foreign central banks.

The current and constant pooling, analysis, and interpretation of economic, foreign exchange, and political risk data acquired from all of the above sources would create a sound basis of combined information and judgment such as very few commercial banks or other private or governmental financing organizations now possess or could afford.

The individual judgments of exporters and bankers operating simultaneously in their own individual businesses — extending credit, long and short—is no substitute for concentrating that information in the hands of an insurance organization which would have an up-to-date composite view of what is happening in the export credit field. The more people who would use such a guarantee scheme, the more secure would credit become because the Guarantee Corporation would have within its view a greater measure of what commitments a foreign nation was undertaking. Manipulation of premium rates, percentages insured, and ceiling limits by countries would provide built-in controls against runaway credit extension.

The Export Credit Guarantee Corporation could, therefore, be a great stabilizing mechanism not only in the extension of credit, but also in preventing a country from over-committing its dollar-paying capacity.

Exchange and Political Risk Control

The privately owned and operated corporation would make exchange transfer and political risk guarantees available:

(1) Under simple business procedures and without imposing on the U. S. Government or any of its agencies the time-consuming task of either the analysis or the assumption of **individual** specific "political" or credit risks.

(2) For exports of all types of **goods** — capital goods, consumer

goods, and agricultural products, within the buying country's estimated dollar-paying capacity.

(3) For sales of services as well as goods.

(4) On payment terms that are reasonable and customary to the trade, market, and products involved and consistent with prevailing dollar exchange, and general business and political conditions in the buyer's country.

(5) For all goods contracted for future export to protect the American seller against risks of dollar exchange difficulties or political actions which might develop prior to shipment of goods specially manufactured, purchased, or processed for shipment under an export sales contract calling for future delivery.

The Export Credit Guarantee Corporation could set an example for promoting our foreign trade and helping our overseas friends without establishing another "giveaway," "subsidy," or "direct government loan" program. In fact, it might do away with some government lending and return commercial exports financing to private enterprise. It is presupposed that over the long run, exporters purchasing such guarantees for premiums will thereby create a reserve fund from which future claims will be paid. The claims would be, in most cases, recovered by the Guarantee Corporation from the ultimate remittance of dollars from debtors abroad.

Proposes Plan of Action

To bring about the early organization of the **comprehensive** Export Credit Guarantee Corporation, a definite plan of action is required:

First: A frank study of a concrete plan by a representative group of American companies vitally interested in world trade.

Second: Bank and insurance executives should critically study the setting up of the Corporation and take leadership in its organization and policy determination.

Third: Conference with interested Government Administration officials and legislators to assure their complete understanding of and support for a specific legislative program to enact enabling legislation authorizing granting of the special charter(s) required.

Fourth: Formation of an informal committee of exporters, manufacturers, bankers, and insurance people to finalize a plan and draft a study bill for the needed enabling Federal legislation to permit creation of the corporation(s).

The International Section of the New York Board of Trade has authorized the re-establishment of a Special Committee on Export Credit and Exchange Transfer Guarantees. A similar committee was instrumental in bringing about introduction of Senate Bill S2256 in June, 1955. This bill proposed the creation of an Export Credit Guarantee Corporation wholly owned by the government. The time may now be opportune for reconsideration of this problem, but on the revised, strictly private enterprise basis outlined above. It is expected the new committee will receive wide support from American industry in order to bring about an effective and prompt solution to this pressing problem.

Exchange Member

PHILADELPHIA, Pa. — Alfred Rauch, a resident partner of Kidder, Peabody & Co. in Philadelphia, has been elected to membership in the Philadelphia-Baltimore Stock Exchange.

Mr. Rauch is a former President of the Bond Club of Philadelphia and former Governor of the Investment Bankers Association of America.

Attracting Capital for Alaskan Enterprises

By JOSEPH W. HIBBEN*

Partner, Kidder, Peabody & Co., Chicago, Ill.

Kidder, Peabody partner blueprints for Alaskan businessmen what they should do in order to attract investment capital. Mr. Hibben points out there is no shortage of short-term funds in Alaska nor any unusual lack of long-term capital available for sound projects, though equity capital seems to be the greatest problem of all. He strongly recommends enactment of uniform blue sky law sponsored by the National Association of Securities Dealers, preparation of an inventory of capital needs and investment opportunities, and strenuous efforts by Alaskans to do their share of capital formation.

In general there are three types of capital required by business enterprise: short-term bank loans for seasonal or self-liquidating projects, long-term loans usually in the form of mortgages to finance fixed assets and equity capital in the form of capital stock to provide permanent working funds and the margin of safety to a sure lenders that debts will be paid.

Joseph W. Hibben

What factors should businessmen keep in mind and what action can they take to make certain that their projects will attract whatever capital is justified by the opportunities they present?

In this connection, perhaps you may have read the column in the "Anchorage Daily News" on Oct. 21 by George Sokolsky, which touched on capital flow. Mr. Sokolsky said, "Money has neither conscience nor patriotism but flows where money can be more safely and more readily made."

No Shortage of Short-Term Bank Capital in Alaska

This is particularly true of short-term funds. It is my observation that there is no shortage of short-term bank credit in Alaska. The local banks and their deposits have grown as fast as the requirements of the community and they are backed up by strong correspondent relationships which enable them to draw on additional resources when necessary. If your banker says he hasn't got the money for your deal, he is probably just being polite. It probably isn't a bank deal. Of course, banks normally loan money for only a short term, usually less than one year and they prefer self-liquidating purposes.

There seems to be some difference of opinion even among informed persons as to whether or not there is any unusual lack of long-term money available for sound projects. One respected banker told me frankly that the good deals get financed. Another felt strongly that a number of attractive developments were being delayed for lack of mortgage financing. Now that Alaska is becoming a state, some insurance company lenders will be able to operate there more effectively than before. Beyond doubt, however, the fullest development of the opportunities here will require further encouragement of long-term lenders.

Equity capital seems to be the greatest problem of all. While active, institutional type stocks with long earnings and dividend records are in great demand and go ever higher, real risk capital for the development of natural resources and new enterprise is scarce the world over. But, as Mr. Sokolsky says, money will flow where money can be more safely or more readily made.

So far as natural resources and raw materials are concerned, prices and gross returns are going to be largely determined by the competition of world markets. We in the other states are impressed that Alaska has at least 31 of the 33 strategic minerals that the United States needs, including tungsten, tin, mercury, nickel, copper, chromite, antimony, platinum, etc., not to mention iron, coal, oil and timber. However, except for stockpiling and national defense purposes, it seems that the only effective action businessmen can take to stimulate development of these resources is to reduce the general risks and costs of developing them. I have a few thoughts along these lines which may be of some help.

Blue Sky Laws

First, there should be sound securities legislation. The uniform blue sky law sponsored by the National Association of Securities Dealers is recommended for consideration. Its aim is to screen out the fast and loose operator without penalizing or impeding legitimate business. I have heard rumors that some doubtful promotions have capitalized on the public's interest in this territory. A few unfortunate deals could make the public skeptical of any Alaskan deal. On the other hand, a securities law of the type which investment bankers are familiar with in other states will simplify an otherwise costly procedure.

I also understand that the status of a mortgage holder as regards his title to the security is not entirely clear under Alaskan law and this should be remedied so that mortgage funds will be more readily available.

Secondly, it seems desirable to prepare an inventory of the capital needs and investment opportunities which offer the greatest rewards. If a man walked into your office with one million dollars to invest in Alaska, what would you show him? What are the opportunities specifically? The Biennial Report of the Alaska Resource Development Board is excellent, as well as the report on The Economic Base of the Greater Anchorage Area by the City Planning Commission. However, this seems to be directed largely toward legislation and treats industry in general terms. Your neighbor, Western Canada, has been attracting capital from all over the world at rates varyingly estimated as high as $3,000,000 per day. There are various reasons why capital is attracted there, of which one important factor is the favorable tax treatment of extractive industry and of capital gains.

However, I spent a day in Edmonton recently and I believe the Canadians have greatly improved their techniques of attracting capital in recent years. Almost every businessman has a deal in his pocket and it is a specific proposal complete from the capital requirement to the profit to be expected. Now, Alaskans know their country better than the outsider can hope to know it for years to come, and a valuable service can be performed by some organization in sifting out the opportunities, resolving them to the concrete and specific, and offering an assortment of those you feel are the most likely to succeed.

Stresses Management Know-How

Third, as businesmen you realize the tremendous importance of management know-how in the success or failure of any enterprise and this is particularly important at its inception. Risks to potential investors will be greatly reduced and capital influx will be greatly encouraged if you businessmen attempt to attract experienced management. Is a fertilizer plant justified in Matanuska Valley? Well, then you should be able to interest management experienced in the production of plant food. If you cannot interest people experienced in meeting the specific problems of that type of operation, you probably haven't got a sound deal. Individuals with a successful record of operating experience will go a long way toward attracting the capital required for any given project.

Fourth, I recommend that local agriculture be encouraged as an industrial asset. Some economists insist that the first prerequisite for success of any economic unit is for it to learn to feed itself. Apparently, only about 13% of the arable land in the Matanuska Valley is under cultivation and Alaska grows only 20% of its own food. The cost of importing the remaining 80% raises the cost of living, helps justify the high wages and increases the risks of all enterprise. An increase in agricultural activity would justify some of the most stable types of industry, such as food processing, feed mills, rendering plants, fertilizer production, etc. Some of these operations which might be marginal now would be fully justified by an expanded agriculture base. If a lower cost of living attracted more people to this new state, all enterprise would benefit. Your mining industry must compete in world markets. Too, high wages make your mineral deposits marginal and cause unemployment.

Local Capital Formation

As a fifth point, I suggest that local sources of capital should not be overlooked. Capital is created by saving. It is amazing what individuals will do when they are offered a vehicle and an incentive to save. Perhaps some saw the article in "Time" magazine last July 7 about Clarence Dauphinot. He was a Wall Street foreign bond trader who was intrigued with the opportunities for investment in Brazil, so he moved there and for several years tried to interest Wall Street in Brazilian opportunities. It was a slow process. Brazil was a long ways away. The effort was only partly successful. But now "Time" proclaims Clarence Dauphinot and his company as one of the outstanding successes of South America. His green and yellow jeeps ply the jungle trails selling securities and raising capital, for United States companies who wish to expand in Brazil.

Perhaps all of you know the story of "Walking Swazey" in Alaska who took for himself the right-of-way of the Alaskan Railway from Anchorage to Fairbanks as his insurance territory. "Walking Swazey" walked his territory twice each year about 200 miles. His customers were far between. Sometimes he cut their hair for them, or cooked dinner, but for five years in a row "Walking Swazey" sold over $1 million worth of insurance each year. This is a capital formation technique.

Alaska has an estimated annual income of $500,000,000 per year and wages of perhaps $175,000,000. Some of the smaller and initial capital requirements could be met right here at home. Furthermore, local participation is very stimulating to outside interest.

I hardly feel it is in order to mention my last point because it doesn't really seem appropriate. Barnum said, "Never give a sucker an even break," but I was going to say, "Be sure your investors get an even break." If you do, you will not lack for capital of any kind. But t is is unnecessary advice because during meetings in Alaska I have met many public spirited, unselfish people working sincerely for the interest of all in this new state. I have been impressed with the spirit of enterprise and the unselfish, constructive attitude of all concerned. It is therefore with absolute assurance that I predict your total success.

*An address by Mr. Hibben before the Seventh Annual [illegible] Chamber of Commerce Convention, Anchorage.

Harry L. Arnold Is Recuperating

Harry L. Arnold, Goldman, Sachs & Co., New York City, is recuperating nicely from an operation which has had him incapacitated for a month. He wishes to express his heartfelt thanks to all his friends for their kind messages to him at Mount Sinai Hospital. Harry can be reached through his home address, 76-15 Thirty-fifth Avenue, Jackson Heights, N. Y.

Harry L. Arnold

$32.8 Million Issue of New York City Bonds Offered to Investors

The Chase Manhattan Bank is manager of an underwriting syndicate which was awarded on Nov. 25 an issue of $32,800,000 City of New York, school construction and various municipal purposes bonds, due Dec. 15, 1959 to 1973, inclusive. The group bid 100.1799 for the bonds as 3.20s.

Public reoffering of the bonds is being made on a scale from 1.90% in 1959, out to a dollar price of 98 for the 1973 maturity.

Other members of the offering syndicate include: Chemical Corn Exchange Bank; Manufacturers Trust Co.; J. P. Morgan & Co., Inc.; Lehman Brothers; Blyth & Co., Inc.; Lazard Freres & Co.; Barr Brothers & Co.; R. W. Pressprich & Co.; Goldman, Sachs & Co.; Bear, Stearns & Co.;

The Northern Trust Co.; Harris Trust & Savings Bank; Equitable Securities Corp.; Drexel & Co.; The Philadelphia National Bank; Hornblower & Weeks; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co.; Blair & Co., Inc.; Hallgarten & Co.;

Hemphill, Noyes & Co.; The Marine Trust Co. of Western New York; Schoellkopf, Hutton & Pomeroy, Inc.; Swiss American Corp.; B. J. Van Ingen & Co., Inc.; Bache & Co.; A. G. Becker & Co., Inc.; Federation Bank & Trust Co.; Gregory & Sons; E. F. Hutton & Co.;

Wm. F. Pollock & Co., Inc.; First National Bank in Dallas; Rauscher, Pierce & Co., Inc.; Trust Co. of Georgia; American Securities Corp.; Commerce Trust Co., Kansas City; First National Bank of Memphis; Glickenhaus & Lembo; Green, Ellis & Anderson;

Hayden, Miller & Co.; The Illinois Co., Inc.; Mercantile National Bank at Dallas; The Robinson-Humphrey Co., Inc.; Stroud & Co., Inc.; R. D. White & Co.; City National Bank & Trust Co., Kansas City; Sterling National Bank & Trust Co. of New York.

Canada's Role in International Commerce and Finance

By G. ARNOLD HART*
General Manager, Bank of Montreal, Montreal, Canada

Without denying misgivings of American control over Canadian industry, Canadian banker notes, as welcomed and interesting evidence, that the older and larger Canadian subsidiaries have undergone "Canadianization." Besides commenting on the disquieting effect of American investments in Canada, Mr. Hart examines the anomalous premium of the Canadian dollar and our influence on Canadian national identity. Nevertheless, he gratifyingly reports on the fine relationship between the two countries and efforts being made to resolve differences and problems. Terms Canada the compromise between two great English-speaking peoples; praises creation of St. Lawrence Seaway; describes his country's international economic expansion; intimates invitation for us to join British Commonwealth.

Ever since the English-speaking people who settled in North America decided to follow separate paths towards nationhood, their history has been a chronicle of growing together, but growing together with differences, and occasionally some irritations. Canadians feel that their southern neighbors don't know how to brew a good cup of tea and I suppose that has been true ever since you tried mixing it with sea-water at Boston in 1773. But as a result of your defection from the British Crown we got a lot of staunch citizens, whom your history books call "renegades," but whose descendants still take pride in their United Empire Loyalist ancestry. Having established your own independence, you undertook to liberate us from the British yoke while Britain was involved with Napoleon. And you nearly did. But we managed to keep the War of 1812 going until word arrived from overseas that it was ended. If that experience did nothing else for us both, it left us with the priceless heritage of a border that our Stephen Leacock could truly describe as "three thousand miles of forts without a single frontier."

G. Arnold Hart

It was only a few years later, in 1817, that a number of Montreal merchants, many of whose trading ties were with the United States, got together and formed the Bank of Montreal. They patterned the charter of this oldest of the Canadian banks very closely—indeed at many places word-for-word—upon the charter of the First Bank of the United States, which had been drafted by Alexander Hamilton. As a result, Canadian banking has developed as a branch system with only nine separate chartered banks operating through a total of some 4,600 Canadian branches. And I must say we like it that way. You, for your part, saw fit to abandon Alexander Hamilton's essential idea after a few years, with the result that you now have some 14,000 independent banks and you still oppose nation-wide bank representation through branches—a limitation you do not impose, so far as I know, on any other form of business.

One or two further historical highlights will suffice to carry the chronicle through the 19th Century. In 1867 we achieved nationhood by confederation, which was just the opposite of your Southern confederacy and which, incidentally, preserved for all time the separate identities of the two major groups of Canadians — the French-speaking and English-speaking—who have worked together to build Canada and who give it a distinctive character. Confederation spurred us to develop in an east-west rather than a north-south direction. We built a transcontinental railway that was financed largely by private capital from London, and the bulk of our trade was conducted with Great Britain. Our trade ties with the United States were, however, strengthening. Indeed, a free trade area (a phrase that has a contemporary ring) was formed between Canada and United States in the mid-1800's. It covered most natural products and lasted for 12 years, when it was abrogated by the States. Despite numerous attempts to revive it over the next half century, "reciprocity," as it was then called, never was restored.

*An address by Mr. Hart before the International Finance Section of the 45th National Foreign Trade Convention, New York City, Nov. 17, 1958.

Expansion in the 1920's

Throughout the 19th Century and the early years of the 20th, Canada grew much more slowly than the United States. But the First World War and the decade of the 1920's witnessed a sharp spurt of Canadian economic expansion which established new patterns of trade and investment that have since been accentuated.

The United States tended more and more to reach out beyond its own borders for additional sources of basic materials and thus hasten the development of Canadian industries to satisfy demand south of the border. A notable example of this was the establishment of a number of newsprint mills that were initially built and financed by Canadians but were later to come under U. S. control. At the same time, American manufacturing interests were reaching into Canada for new markets, often establishing branch plants when their sales in Canada justified such a move.

The upshot was that between 1914 and 1930 total foreign investment in Canada doubled from under $4 billion to over $7½ billion and the whole of the increase represented money put up by U. S. residents. And, not surprisingly, Canada found itself in the late 1920's, for the first time in its history, exporting more to its neighbor than to the Motherland. It had, even since the 1870's, been importing more from United States than from United Kingdom.

The decade of the 30's was of course one of drastic contraction in world trade that led to sharp increases in tariff barriers all over the world and to the inception of British Empire preferences, which however began to be gradually reduced soon after they were instituted. One result of the British preferences was that many U. S. manufacturers built subsidiary plants in Canada to export to Empire markets as well as to serve the Canadian market.

I have sketched these historical highlights in order to show that what has happened to Canadian-U. S. trade and investment in recent years is not different in its nature from what occurred in earlier periods, particularly in the comparable era of expansion in the 20's.

Postwar Explosive Expansion

But what happened in the postwar period has been explosive in its magnitude. The vast rebuilding and enlarging of national economies everywhere has been a process that drew very heavily on basic natural resources that Canada is fortunate to possess in great abundance. My country's growth has thus been accelerated to an unprecedented degree by what seemed insatiable demands from the United States and the rest of the world. Measured in terms that are valid for international comparisons — population; volume of output per capita; energy consumption—Canada's postwar rate of expansion has exceeded that of most other industrialized countries, including United States, United Kingdom, Scandinavia and Australia.

And just as this growth has been generated in substantial part by the United States and other countries, so also has it been underwritten to a significant extent by them. Foreign capital invested in Canada, which had stood at a little over $7 billion in 1945 (somewhat less, you will note, than in 1930), has since increased by $10 billion to top $17 billion at the end of last year. Again, the lion's share of this increase—$8 of the $10 billion—was provided by Americans. Of the remaining $2 billion, over half came from British residents, who thereby not only restored the amounts they had liquidated to gain dollars during the war, but brought their investment stake in Canada to a record level.

The flow of Canadian trade also swelled, in keeping with the expansion of the domestic economy and foreign investment, to make Canada the world's fourth largest trading nation. At the same time the direction of our trade shifted further towards our southern neighbor so that in recent years some 60% of our merchandise exports have been going there and 72% of our imports have been bought there. This is by far the heaviest two-way exchange of goods in the world.

Surely there can be no better example of the fact that trade, investment and the creative power of growth go hand in hand.

There are, however, some aspects of these trends in commerce, finance and expansion, and the relationships between them, that deserve to be looked at closely.

Stresses U. S. A. Control

A large portion of American capital coming to Canada in recent years has taken the form of direct investment in controlled subsidiaries and, in a number of important industries, U. S. control has become paramount. A survey made in 1955, which undoubtedly understates the situation today, showed that U. S. capital controlled between 40% and 70% of Canada's pulp and paper, chemical and non-ferrous metals industries, 74% of its petroleum industry and even higher proportions in the case of the electric apparatus, rubber and automobile industries. Moreover, the bulk of U. S. investment in Canada has been provided by comparatively few, very large, firms which possess, in addition to considerable financial resources, highly developed managerial, technical and productive skills and which in some cases take a large proportion of their Canadian subsidiaries' output.

On reflection, it is obvious that these characteristics are to some extent natural and inevitable in the circumstances. Canada's resources have been developed, as I said, in response to needs much larger than her own. Not only is the domestic market in many cases too small to justify extensive exploration and development, but Canada also lacks the large pools of venture capital and collective "know-how" that are often necessary to carry very large projects through to completion.

The predominant role of non-resident investment in certain of our industries has, however, given rise to some misgivings among Canadians. Such misgivings are felt not only because of the extent of the investment but also because a rising proportion of it has been in the form of equity ownership. By 1955, close to 70% of U. S. long-term investment in Canada was in equity form compared with 52% 10 years earlier. This degree of ownership implies operating control, and operating control in perpetuity.

Canadians have therefore put forward suggestions that they should be given an opportunity to participate more than they do in the ownership, directorship and management of subsidiary firms located in Canada.

"Canadianization" of Subsidiaries

I have no intention of "playing down" these misgivings but they need to be put in a proper light. I said that a high degree of foreign ownership implies a high degree of foreign operating control, but the one does not follow automatically from the other. We simply do not know as yet the extent to which the policies and activities of Canadian subsidiaries are dictated by parent concerns. But a sample survey of the question recently made by a trust company here in New York showed, very clearly, that the older and larger a Canadian subsidiary becomes, the less likely it is to be wholly-owned by the parent concern and the more likely it is to include Canadians in its board of directors and to have Canadians in its top executive positions. This is interesting and welcome evidence, which may well be borne out by more detailed studies now under way, that "Canadianization" of subsidiaries tends to come about in the course of their evolution and growth. Is this not another example of foreign investment liberating national creative traits?

I doubt, too, that the concern about U. S. economic domination of Canada is as widely felt as one might gather from what appears in print. After all, a great many Canadians work for subsidiaries of American companies and few of them seem to be restive about it.

Anomaly of Canadian Dollar Premium

The effect of the inflow of U. S. capital into Canada is felt as well in the Canadian exchange rate. The premium on the Canadian dollar that has prevailed in varying degree for the past several years acts, of course, as a disadvantage to our exporters and also to the disadvantage of domestic producers who face competition from imports. The premium appears to many to be an anomaly in the presence of record-breaking deficits in Canada's balance of trade. The explanation is that the net inflow of capital has more than offset the current deficit. And the two are to some extent causally connected. The large deficits have been mainly attributable to heavy imports of capital equipment and such imports tend to be accompanied by a movement of capital funds to finance the same projects. During the 1957 recession and into this year the pace of Canadian resource development has slackened, imports have declined, the trade deficit has dwindled and the flow of direct foreign investment has abated. No doubt in time these trends will again be reversed.

National Identity

To the extent that it is generally felt, the Canadian sense of disquiet at the role of American investment in their economy has probably been accentuated by the feeling that their national identity is also being impinged upon through the communications media of periodicals, radio and television and in such fields as national defense and labor organization. Nor do the U. S. surplus disposal program or the recent U. S. import restrictions on oil, lead and zinc exactly kindle our enthusiasm for the current trend of Canadian American relations.

But I genuinely feel that much more basic and abiding, in the minds of Canadians and Americans alike, is the sense of growing together that I mentioned at the outset, the sense that our destinies and well-being are inseparably intertwined. Trading troubles are characteristic of conditions of slack demand, surplus capacity and high unemployment like the present. But these conditions seem to be improving and, with patience, some of our bones of contention will simply get buried.

Resolving Differences

And when we seem overly conscious of our differences, we should recall some of the ways in which we are trying to resolve them. The Canada-United States Committee of the Chambers of Commerce of the two countries has met 52 times since it was set up in 1939. A newly-formed Canadian-American Committee of business men on both sides of the border, headed by our R. M. Fowler and your former Ambassador to Canada, Douglas Stuart, is now functioning to examine and discuss, objectively and in detail, all aspects of our relations. A joint committee of your Congress and our Parliament has been constituted to consider common problems at the legislative level. There are no doubt many other examples of such co-operative action that will occur to you.

The one so obvious that we sometimes forget it, is of course the St. Lawrence Seaway. I imagine it is the biggest ditch that has ever been dug by two neighbors for their mutual benefit. If not the biggest, it is certainly the most expensive. And it will open up, into the heart of the continent, an avenue of trade the advantages of which we cannot yet envisage.

My remarks to you have naturally centered on Canada's trade and investment ties with the United States. Before concluding, I would add a note about our ties in other directions. In this connection, I might mention in passing that my own bank has recently joined forces with the Bank of London and South America Limited to form a new institution, the Bank of London and Montreal Limited with numerous branches already operating and others being established throughout the Caribbean area.

It is often said that Canadians are a combination of, and a compromise between the two great English-speaking peoples. That is true in manifold ways and we are very conscious of the opportunities and responsibilities it presents.

Two months ago, Canada sponsored a trade and economic conference of the British Commonwealth, of which my country is a senior member and, incidentally, the only dollar country in an otherwise sterling area group. The conference was aptly described as "the world in miniature," for its 12 member nations span the globe and encompass 600 million people of every race, creed and color and in all stages of economic development.

The revealing thing about this conference was that its members could sit down together and in spite of their widely differing points of view could discuss their mutual problems without acrimony and with a genuine and effective resolve to do what each could, by offering commercial concessions and financial assist-

ance, to promote the trade and economic development of all. The Commonwealth thus affords a living and working example of how trade and investment backed by good-will can liberate man's creative power and foster understanding on a world-wide front.

Perhaps I might include by pointing out that the common heritage of members of the Commonwealth in their belief in a parliamentary form of government and the fact that they were all, at one time or another, governed by the United Kingdom. For the information of other countries that meet these requirements, I can quote no better authority than Prince Philip, who said in Ottawa only two weeks ago, "Applications for membership will receive sympathetic consideration."

McCormick Sec. of Eppler, Guerin Co.

DALLAS, Texas — Eppler, Guerin and Turner, Inc., Fidelity Union Life Building, members of the New York Stock Exchange, announced that James C. McCormick has been named Secretary of the corporation by the firm's Board of Directors.


James C. McCormick

Mr. McCormick has been associated with Eppler, Guerin and Turner since March of 1955. Prior to that he was with Dun and Bradstreet, Inc.

Blyth-Hilliard Group Underwrite Kentucky Utilities Offering

The Kentucky Utilities Co. is offering to the holders of its common stock of record on Nov. 17 rights to subscribe for an additional 206,446 shares of $10 par value common stock on the basis of one new share for each 12 shares held on the record date. The subscription price is $33 per share. Rights expire at 3:30 p.m. (CST) on Dec. 8, 1958.

A group led by Blyth & Co., Inc. and J. J. B. Hilliard & Son will underwrite the offering.

The net proceeds from the offering will be used to finance part of the company's construction costs and to retire about $3,000,000 of bank loans incurred for construction expenditures.

Dividends on the common stock are currently being paid at the quarterly rate of 35 cents a share. A fourth quarter payment of 35 cents per share to stockholders of record Nov. 21, will not apply to the new shares.

Kentucky Utilities is an operating public utility supplying electric power in 77 counties in central, southeastern and western Kentucky and two counties in Tennessee. A subsidiary, Old Dominion Power Co., serves three counties in Virginia. The company and its subsidiary serve an aggregate of about 246,000 customers.

Total operating revenues for the 12 months ended Sept. 30, 1958 were $41,596,000 and balance for common stock was $5,828,000, equal to $2.35 per share on 2,477,350 shares of common stock. In the calendar year 1957 total operating revenues were $38,871,000 and balance for common $4,801,000, or $1.94 a share on the same number of shares.

Joins Hathaway Inv. Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Orville H. Sowl is now with Hathaway Investment Corp., 1845 Sherman St.

The Independent Voter And the Republican Party

By ROGER W. BABSON

Variety of popular explanations for Republican's election defeat are examined by Mr. Babson. The columnist declares the Republican Party is not dead and will come back with a landslide after the independent voters (10% of the voters), who are said to have Republican leanings, see that the "cure" to their physical, mental and spiritual tiredness is worse than the "disease."

While I was on the ocean returning from Africa, an important Congressional election took place. In looking over the newspaper headings I find they range from "A blow to Eisenhower" to "The GOP is dead." Of course, the election is a great disappointment to Mr. Eisenhower; but my statistics show that the GOP got 44% of the national vote. This is not too bad. Let me answer the second comment with a personal story. When I was Assistant Secretary of Labor during World War I, I became well acquainted with Cordell Hull, who later became Secretary of State. After the death of President Wilson, followed by the Republican landslide, Mr. Hull had no official position, but was chairman of the defunct Democratic committee. Before leaving Washington, I called on the man who was later to become Secretary of State. I found him in a tiny office of the Press Building. When I asked how things were going, he showed me a letter from the owners of the building stating that the rent of the office was over three months due and that, unless they received $50 immediately, Mr. Hull must get out. In regard for Mr. Hull I took $50 from my pocket and gave it to him for the rent.


Roger W. Babson

I thought no more about this until I received an invitation to a dinner for the purpose of reviving the Democratic Party. Even then I thought nothing about it until Mr. Hull called me to the platform and introduced me to the audience as "Roger W. Babson, who saved the Democratic Party." He then told the above story. This was only a few years before the Democratic Party again swept the country and elected Franklin D. Roosevelt, who had it under control for going on four terms. The same situation could easily repeat itself for the GOP.

Russia Must Be Happy

As I have mentioned in my column many times, I do not expect a shooting war. I believe, however, that Russia has planned an intensive economic war and that the recent recession marked the beginning of it. Even today, though feeling is much better in this country, we have statistically a large number of unemployed. Therefore, our drift toward inflation and socialism must make Russia very happy.

Unfortunately, being in Africa I did not hear the addresses of the successful Democratic candidates. An analysis of the returns indicates that the election was a great victory for the union labor leaders. Not only was the "Right to Work" proposal snowed under, but this was after the investigations of the Teamster's Union and of other union misdoings. Why the stock market should have gone up in view of the election is beyond me. We are feeling better only as a man does when he takes a "highball."

What It All Means

My greatest surprise has been talking this past week with businessmen, manufacturers, and even bankers. Their explanation of the election was, unanimously, the taxes which we are compelled to pay. They recognize that President Eisenhower is a good man with high ideals and that he is trying hard to do right, but feel that he is not "practical." Of course, this is weak reasoning.

It seems as if the independent American voters are getting tired physically, mentally, and even spiritually. This group (about 10% of the voters) consists of intelligent independent citizens with Republican leanings to the right. They visualize a top for profits, with the cost-of-living, taxes, and competition constantly climbing. They are not voting against anyone or for anyone; but are voting for a change. Having been on my African trip for the past two months, I ask each reader of this column to answer for himself "what it all means" and not depend upon my conclusion. Let me repeat, however, that the Republican Party is not dead and will come back with a landslide after this 10% become again disillusioned. Yes, they will find that the promised "cure" will be worse than the "disease."

Bankers Underwrite Lorillard Offering

P. Lorillard Co., manufacturer of Kent, Old Gold and Newport cigarettes and other tobacco products, is offering to holders of its common stock of record Nov. 25, 1958 rights to subscribe for 364,670 additional shares of common stock at the rate of one share for each eight shares held. The subscription price is $68 per share. The rights will expire on Dec. 9, 1958. The offering is being underwritten by a nationwide group headed by Lehman Brothers and Smith, Barney & Co.

Net proceeds from the sale of the additional stock will be added to general funds of the company to be applied to corporate purposes, including reduction in short-term bank loans which were incurred principally to finance Lorillard's increased purchases of tobacco required by an expanded volume of business.

Total revenues of the company during the nine months ended Sept. 30, 1958 were $353,501,186 compared with $190,943,368 in the corresponding months of 1957. Net income in the 1958 nine month period was $19,303,200, equal after preferred dividends to $6.46 a share on 2,905,654 common shares, compared with $5,795,662, or $1.85 a share on a similar basis on 2,852,854 shares of common stock in the 1957 period.

Tegtmeyer Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles J. Nordigian is now with Wm. H. Tegtmeyer & Co., 39 South La Salle Street.

Two With E. E. Ballard

(Special to THE FINANCIAL CHRONICLE)

PARK RIDGE, Ill.—John O. Knupp and David W. Schuehler are now with Everett E. Ballard, 505 Park Place.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Items of interest on the banks include these:

Although loan volume of the leading New York City banks continues a somewhat halting pace, it is mounting with the seasonal factors behind it, for there can be no denying the fact that the economy is staging a high rate of spending in almost all directions. Christmas trade is likely to set a new high, and that, among other things, requires large inventories; and these, in turn, are carried on loan at the banks. Also, we read of big crop production which, too, must be financed to an important degree by the banking system. Recovering from the 1957 setback in business is keeping loan totals well up at the banks.

Bank earnings will continue to be good. This department is of the opinion that they will equal or modestly better the 1957 level. First, money rates continue to hold up. This they must do because of the heavy government financing facing the Treasury. Then, working assets of the large banks are somewhat higher, for the extent of the shrinkage in loans has been much more than offset by the increase in investments. Thus, with more money working for the banks, with firm rates, earnings are likely to present a favorable picture for 1958.

We saw evidence of this in the operating figures for the 12 months to Sept. 30, 1958, when, despite the recession effects eight of the 13 banks showed higher earnings than for the 12 months to Sept. 30, 1957, a period in which the economy was going full speed. And, in most instances, where the earlier period showed better results, they were only slightly better. In one case the sale of a large amount of new stock in the later period considerably diluted per share earnings in the later period.

Recent reports have indicated that enough large corporations have either started to rebuild inventories or have stopped reducing them to establish a trend in the right direction, a trend that will bring more borrowing.

A recent announcement of First National City Bank was that for the time being the bank would end its efforts to set up a holding company to acquire control of First City and County Trust of White Plains. This, it will be recalled, was a plan of First City's to tap the banking business of Westchester County, under a recent Congressional enactment. The proposed move had encountered the opposition of the State Administration, which had induced the legislature to "freeze" matters as they were. A court fight would have been interesting in that it would have resolved the question of whether the State could interfere with a Federal enactment.

Recently, one bank analyst called for the end of the State "freeze," but at this juncture it seems unlikely that a change will be made for some time. The stage seems to be set against corporate "bigness," as we have seen by the court decision in the Bethlehem Steel-Youngstown case. However, ultimately these combinations are probably going to be effected if the growing economy is going to be served. We already have very large bank branch systems and holding companies, and in due course will have more of them.

A rumor has circulated to the effect that Manufacturers Trust may declare a stock dividend and then be involved in a merger. This department doubts the merger part of the story for several reasons, one being the probability of a conflict with the "freeze" law of the State. But a stock dividend would not be illogical as a means of increasing the cash dividend. After all, Manufacturers is disbursing only about 50% of its operating earnings and a 10% stock dividend would, assuming retention of the $2 annual rate, have the effect of keeping the payout ratio within 55% of operating earnings.

What would also be logical would be such a stock dividend, along with subscription rights for additional stock. This bank has the highest deposit ratio of the large New York institutions, 13.4:1 (deposits: capital funds), and while this is a moderate ratio as the countrywide figures go, the New York banks are in a position as central reserve city banks in which able management dictates that large capital funds *vis-a-vis* deposit liability be maintained. And, from the shareholders' point of view, additional capital would bring added earning power.

Panama Bonds Offered

Lehman Brothers headed a group which on Nov. 20 offered $16,800,000 of Republic of Panama 4.80% external secured bonds of 1958, due April 1, 1993 and first optionally redeemable April 1, 1968 at 105%. The offering price was 101.17% and accrued interest, yielding approximately 4.73% to maturity. The group is paying 100.17%, for a net cost to the Republic of 4.79%.

Security for the bonds has an interesting historical background, since it is based on the Treaty of 1903, as amended, between the United States of America and the Republic of Panama under which the Panama Canal was constructed. Interest and sinking fund instalments to retire the entire issue by maturity are to be derived from $1,000,000 of the $1,930,000 annual payment which the United States of America owes, under the Treaty, to Panama in perpetuity for the use and occupancy of the Canal Zone. The $1,000,000 payments are being assigned, until all bonds are retired, to the First National City Bank of New York as fiscal agent for the loan.

International Liquidity and American Foreign Policy

By JAMES W. ANGELL*
Professor of Economics, Columbia University, New York City

Despite this year's gold outflow, Columbia Professor finds international liquidity is highly unsatisfactory, and even dangerous, and that it precludes any attempt to re-establish an international redeemable gold standard. In proposing measures to improve the situation, Dr. Angell doubts a "one-shot" rise in price of gold would remedy the "spectacularly bad *distribution* of the world's gold stocks" and finds it would induce price inflation. Instead, he suggests countries pursue disciplined measures of internal monetary and fiscal control, in addition, that raw material producing countries arrange buffer-stock plans and other commodity agreements, and diversify their production with international aid. Encouraged by increased private supply of dollars going abroad, the Economist submits a plan to increase it still further to aid our national foreign policy which entails some sacrifices on our part, some changes by our allies and necessitates creation of a favorable investment climate in foreign recipient countries.

The problems of international liquidity and of long-term dollar availabilities are clearly of tremendous importance in the world today, both in themselves and because they embody many other strategic aspects of international relations and policies. I shall not propose any spectacular new solutions for these problems here. Even a rather brief examination of their major dimensions, however, can carry us a considerable distance toward practicable answers. I begin with international liquidity.

James W. Angell

I

I take the notion of the "liquidity" of an economic unit to be an essential relative concept. For a business firm, liquidity is usually expressed as the ratio between the volume of the firm's so-called liquid assets and its total liabilities. A nation, however, has no total of liabilities in any meaningful sense. A nation's liquidity, therefore, is more usefully measured by the ratio between its holdings of internationally acceptable cash and close substitutes, on the one hand; and on the other, the total volume of payments abroad which it can reasonably expect to have to make in some specified future period, say over the next year. Hence, the nation's liquidity position may be altered in any of three ways: by changes in the absolute size of its holdings of liquid assets, by changes in the current volume of its payments due abroad, or by changes in the current volume of its cash receipts.

The main facts about the levels of international liquidity at the present time are fairly simple. To put it compactly, the United States has far more international liquidity than it needs, the rest of the world far less; and even outside the United States, the distribution of liquidity is extremely uneven. If we take monetary gold stocks as the base, we find that in mid-1958 the United States alone held over $21 billion, which was 54% of the total world stock of $39 billion. All other countries plus the international institutions, taken together, held only $18 billion, or 46%. Continental Europe had only 23%, the United Kingdom only 7%. The Latin American countries had less than 5%, and all the rest of the world combined only another 5%.[1] Even if we broaden the base to include not only gold, but also all short-term dollar assets and U. S. Government bonds and notes held by foreign countries, thus getting a world total of $56 billion, the picture is not greatly changed.[2] Continental Europe still held only 28% of the total, the United Kingdom still 7%, Latin America 8%, and the rest of the world 7%. Among other leading countries only West Germany, Canada and Switzerland had substantial holdings, with 5 to 7% apiece.

Avers Gold Standard Return Is Out

If our ultimate objective is to restore a freely-working system of international payments based on gold, the absolute size of the liquidity reserves which most countries now hold is grossly inadequate. "Adequacy" itself is not really measurable except in terms of future and hence, unforeseeable needs, but a standard commonly applied is the ratio of reserves held to the current volume of merchandise imports per year. Using imports in 1957 as the basis for comparison,[3] the ratio of gold holdings **alone** in June, 1958, to the 1957 imports was 164% for the United States. But for the world as a whole outside the United States, it was only **19%**! This was barely enough to pay for two months of imports at the 1957 rates, on the average, even if all domestic gold-reserve requirements were abandoned. For continental Europe the average figure was 26%; for the United Kingdom 25%; for France, chronically in difficulties, only 7%—less than one month's coverage. For Latin America the ratio was 20%, for Canada 19%, and for all the rest of the world combined less than 5%, or barely half a month's coverage.

Clearly any substantial adverse swing in the relation between international payments and receipts would wipe out most countries' gold reserves, if all transactions balances had to be settled in gold.[4] The inclusion of short-term dollars and U. S. Government securities held abroad improves the general picture substantially, but again very unevenly; and in most cases total liquidity reserves are still very low.[5] For nearly all of the more important countries of the world except the United States, Switzerland, and Venezuela, the present reserves are obviously insufficient to cope with anything more than rather minor deficits in the current balance of international payments. In themselves, alone, they would be utterly unable to meet any protracted large pressure.

Three further comments should be made on these liquidity figures. First, in computing the country and regional percentages given above, no account was taken of the additional resources which could be made available by the International Monetary Fund or the European Payments Union. The **net** funds of the Union, however, are small. The Fund, on the other hand, has some $1.5 billion still available.[6] But the small size of the quotas of most countries, and the Fund's own rules, severely restrict the actual usability of this sum in the short run. Likewise only a few countries could borrow substantial sums from foreign central banks in times of crisis. Hence, the figures cited above give still approximately the correct picture. Second, it is true that the United States has lost nearly $2 billion in gold since the end of 1957, while Continental Europe and the United Kingdom —especially the latter—have together gained rather more than this. Welcome though these movements are from the point of view of raising the general level of international liquidity, however, they must not be exaggerated. The American gold exports added less than 10% to the reserves of the rest of the world, and they may be reversed quickly if a new world-wide expansion of activity gets under way. Finally, sterling should not be left out of account, for it provides essential international liquidity to large numbers of countries. Given even the presently remaining restrictions on sterling convertibility, however, it seems more useful for our purposes here to confine the discussion of liquidity to gold and dollars alone.

II

The general world situation with respect to international liquidity is thus highly unsatisfactory and indeed dangerous, and has been so ever since the end of World War II or longer. Moreover, because of domestic reserve requirements, the supplies of gold and dollars which are actually available for international settlements are much smaller than the figures given above would indicate. What can be done to improve the situation?

Submits Proposals to Improve Liquidity

First, the United States has already proposed an increase of 50% in the resources of the International Monetary Fund; and I would myself prefer to double them, or more. But even this last step would achieve only a rather limited gain. It would nominally add some $3 billion of gold and dollars to the international pool, as remarked earlier — the small size of most Fund quotas and the restrictions on their use would severely limit the short-run effectiveness of the increase. Second, raising the dollar price of gold has been urged by many. This looks likes an attractive cure-all. I see two difficulties, however. For one thing, it would do nothing to remedy the present spectacularly bad **distribution** of the world's gold stocks. In addition, I fear that many countries would find the increase in the nominal value of their gold reserves an almost irresistible temptation to internal monetary and fiscal relaxation and hence, inflation, and would thereby quickly dissipate nearly all the gain. Substantial damage from speculation on the foreign exchanges, in the period before the change in gold price actually became effective, might also result.

In any event, however, these are both only one-shot measures. Once they were in force most of their benefits would be rather rapidly used up, and the fundamental problems would re-emerge almost unchanged. For most countries other than the United States, Switzerland and Venezuela, the gold and dollar resources which could be made **effectively** available to meet adverse international pressures—that is, the excess of such resources above domestic monetary reserve requirements—would **in themselves alone** still be inadequate to meet more than relatively small fluctuations in the balance of payments. Even if the currency price of gold were doubled, for example, an even if all prices remained stable, France would still have only seven weeks' import coverage, Italy 16. Not only to counteract but—far more important—to **prevent** any severe and protracted international pressures, therefore requires that other more powerful and more enduring steps also be taken.

Strict Measures Instead of Gold Rise

Of these the most important, obviously, is the adoption and enforcement, by all the leading countries, of far better and far more disciplined measures of internal monetary and fiscal control than many have so far been willing to impose. The objective must be both to maintain nearly full domestic employment, and at the same time to prevent domestic inflation, or at least to prevent a rate of domestic inflation that runs ahead of the country's trading partners. These measures, if effective, will then in turn prevent both those balance of payments disturbances that arise from a disproportionate domestic inflation, and a consequent **excess** of imports; and also those disturbances that arise from domestic recession and a resulting **collapse** of import demand, and that consequently hit other countries.

These are, of course, familiar propositions, and they may easily be dismissed as constituting mere counsels of perfection. I see no other major and enduring solution, however, for those countries which have already achieved a fairly advanced level of economic development — which are in the main rather highly industrialized, and which have a rather large and diversified foreign trade. For them, **no** level of international liquidity which they are likely to be both able and willing to afford will give them complete security. Providing them with more liquidity, if nothing else is done, is merely to treat the symptom, not the cause. They must go to the real heart of the problem, and for them, the real heart is their own internal policies and measures. If each such country takes the appropriate internal steps, it both benefits itself, and also benefits all other countries. To secure the full benefit, however, **every** advanced country must act in the ways indicated. It is a perfect case of action for mutual protection and mutual gain.

Buffer Stock Plans and Agreements

The great mass of the less developed countries, on the other hand, are in a rather difficult position. For them, too, higher average levels of international liquidity are eminently desirable, and appropriate domestic monetary and fiscal policies are essential. But for them the effectiveness of such policies, in controlling the current balance of payments position, is likely to be much more restricted. Most of these countries, by very definition, are heavily dependent on exports of a few raw materials or foodstuffs, and are hence, in considerable degree at the mercy of the fluctuating demands of the industrial countries. Even if their own internal monetary and fiscal policies are ideal — and few are — they must therefore also rely extensively on the implementation of adequate domestic policies, such as those outlined above, in the **industrial** countries. If the latter countries fail to act in appropriate fashion, the international liquidity of many or most of the less advanced countries may be wiped out almost overnight, and they may find themselves forced into the all-too-familiar paths of exchange restriction and even outright depreciation. It has happened many times.

The raw materials and foodstuff countries need not remain quite as helpless, however, as the preceding comments suggest. Although the question has been hotly debated on both sides, I think that most of them can also do a good deal to protect themselves by the adoption of properly - conceived long-term contractual arrangements with the industrial countries buffer-stock plans and other commodity agreements. The key to success here, I think, is that there should be equal representation of both consumer and producer groups, and where relevant, equal contributions. Producer-dominated schemes are almost foredoomed.[7] Moreover, over the longer term most of the raw-materials and foodstuffs countries can escape from at least a part of their present dilemma by diversifying their production patterns and their exports, through development programs supplemented by foreign financial and technical assistance. Neither of these things will completely solve the international liquidity problem for them, but at least they will no longer be greatly worse off than the more advanced countries.

III

The problem of the long-term availability of dollars, or for that matter of any other international currency, is on a rather different plane. Such dollars—if I may limit attention here to dollars alone—are not wanted primarily to preserve international liquidity. They are wanted to help maintain and increase the volume of other countries' imports of goods and services, whether American or of other origin. The imports, in turn, are wanted to maintain and raise the general level of living standards abroad, either directly or by the more complicated route of internal economic development financed in part with outside funds.

To make a fair judgment of the long-run prospects with respect to dollar availabilities, it is again necessary to start by looking briefly at the recent facts. For this purpose, I shall take the term "dollar availabilities" to mean not merely the proceeds of American foreign investment and government grants, but to mean the **total** supply of dollars which is furnished to foreign countries, whatever the source of the dollars. This is the total of our payments for imports of goods and services, plus our capital exports, plus all other government payments and transfers to foreign countries.

From the beginning of 1946 through June, 1958,[8] which is the latest date available, and taking all reported sources of funds together, the United States supplied

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*An address by Mr. Angell before the Economics Roundtable at the 45th National Foreign Trade Convention, New York City, Nov. 19, 1958.

1 *International Financial Statistics*, November, 1958.

2 *Federal Reserve Bulletin*, October, 1958.

3 United Nations, *Monthly Bulletin of Statistics*, October, 1958. The ideal basis would presumably be the total current-account debit position, but for most countries this is difficult or impossible to measure correctly.

4 Among the more important countries other than the United States, only for Switzerland, with 95%, and Venezuela with 43%, did the gold reserve amount to more than 4 months' coverage. West Germany had just 4 months' coverage, Italy two, France less than one.

5 The special beneficiaries of the inclusion are Canada, Italy, again Venezuela, and some of the smaller Latin American and other non-sterling countries.

6 International Monetary Fund, *International Reserves and Liquidity* (1958), p. 98. This valuable study presents much more detail than can be given in the present paper.

7 Also see the extensive discussion of commodity schemes in the recent GATT Report, *Trends in International Trade* (Geneva, 1958) prepared by a Committee of Experts under the chairmanship of Professor Haberler.

8 The last half of 1945 is omitted because of the distorting effects of Lend-Lease, UNRRA and other operations left over from the war.

a gross total sum of $273 billion to foreign countries.[9] Of this gross total, exactly two-thirds came from our purchases of foreign goods and services, including military items. 22% came from unilateral transfers, chiefly U. S. Government grants to foreign countries. 12% came from loans and other investments abroad, nearly equally divided between private and governmental operations. The distribution of the sources of supply of dollars as between the private and the government sectors is equally significant. The private sector supplied exactly two-thirds, the government sector one-third. In the private sector, imports of merchandise accounted for 45% of the gross total of $273 billion, imports of services 11%. Private investment abroad supplied 6.4%, and unilateral private transfers (chiefly philanthropies) 2.4% more. Of the government total of $93 billion, some $75 billion came from military grants and military expenditures abroad.

The geographical distribution of the $273 billion we supplied to foreign countries is also extremely significant. Of our private imports of merchandise in 1956, which was a boom year, 30% came from the Latin-American countries, 23% from Canada, another 23% from Western Europe; the remaining 24% was scattered.[10] On the other hand, our private foreign investment position in 1956 showed that of the total of $33 billion of holdings, 37% was in Canada, 28% in Latin America, and 21% in Western Europe. This is, hence, not greatly unlike the merchandise import distribution, so far as concerns Latin America and Western Europe. For Canada, however, the proportion of our total investments was half again as large as the proportion of our total imports.

The geographical distribution of our government expenditures, grants and loans has been quite different. Roughly half of the grand total was spent in Western Europe, and nearly a quarter in the Far East. The Latin American proportion, as the countries concerned have not failed to point out, has been trivial. The distribution of government outlays reflects, of course, the regional impact of the major international political, military and ideological pressures since World War II.

What About the Future?

What about the future? First, it seems to me a fairly safe, if depressing, guess that the volume of our military grants and other expenditures abroad will not shrink much in the next few years, and more probably will expand. As in the past, however, the spending is likely to be concentrated in a few countries alone, most of which are already rather highly developed. Moreover, so far as the funds are actually spent in the United States, they make no direct addition to the supply of dollars available to other countries. Second, our private investments abroad have grown relatively rapidly in recent years, and since 1953 have been averaging nearly $3 billion a year—though this is still hardly 10% of our recent total yearly supply of dollars to other countries. Most of the recent investment has been direct, and some 40% of it has been going to the less developed countries outside of North America. In the absence of major political upheavals or major wars, there seems to be no reason why this present rate of private investment abroad should not be maintained for a considerable period, on the average, and even increased. Third, some expansion of the foreign investments of our government is also probable, perhaps chiefly through the present and the proposed new international institutions. Its **average** annual volume, however, is not likely to be large.

Finally, by far the most important single source of supply of dollars to foreign countries, of course, is and will continue to be our private imports of merchandise. At the present time, merchandise imports are furnishing two-thirds of the total private dollar availabilities per year, as against only 16% per year for new private foreign investment.[11] Such merchandise imports are also, in general, by far the most desirable source of supply of dollars, for all the familiar reasons. They have increased 2½ times in dollar volume since 1946. There is no inherent reason why they should not expand steadily in the future.

IV

This last proposition can be extended to the whole of our private operations that supply dollars to the rest of the world, whether these dollars come from private importations of goods and services or from private investments abroad. There is, to repeat, no inherent reason why they should not expand steadily in the future. This is true simply because there is no necessary limit to the future growth of world demand, and hence, of world trade. But no large and continued expansion of the private supply of dollars to other countries is likely to take place unless appropriate policy decisions are reached, both in the United States and abroad, and unless the appropriate implementing measures are adopted and maintained.

So far as concerns the United States, these decisions and measures depend on what we think the major objectives of our national foreign economic policy should be.

Furthering Our Foreign Policy

I believe that these objectives at least when stated in reasonably broad and general terms, are by now fairly well agreed to by almost everyone. The first and overriding objective is in itself political: namely, the containment of imperialistic Communism, and if possible its defeat. In one form or another, this is the justification for most of our governmental spending abroad, and needs no amplification. The second objective is the promotion of internal economic development and diversification abroad, especially though not solely in the economically more backward areas of the world. Achieving this objective, so far as it concerns countries which are uncommitted or which may waver in the struggle between the Iron Curtain and the West, is a part of the requirements for achieving the first objective. It obviously has great force in its own right as well, however, as a major instrument for progressively raising the standard of living and the whole level of life in other countries. The third and last major objective stems directly from these latter motivations. It is the promotion of a growing volume of multilateral commercial and financial exchanges with all other countries that desire them, at high levels of employment and without inflation.

The achievement of all three of these objectives, and especially of the last two, inherently requires that the supply of our dollars to other countries be not only maintained, but be steadily increased. The dollars are the chief means by which the objectives themselves can be reached.

How to Achieve This National Objective

If we accept these objectives and seriously attempt to achieve them, however, a series of practical consequences follow which are not equally palatable to all people. They are consequences both for us and for foreign countries. For ourselves, we must improve still further our domestic anti-recession policies, in order to prevent or at least greatly reduce the substantial cyclical cuts in our imports, which still take place from time to time;[12] we must progressively reduce our protective tariffs, to ever lower levels; we must abandon, unless in special emergencies or for genuine and grave reasons of national defense, our quota systems; and we must break up our present irrational and exasperating tangle of agricultural export subsidies, dumping and again, quotas.

But we cannot do the job alone. Other countries, our actual or our prospective trading partners, must take essentially similar steps. Otherwise the whole effort will be condemned to, at best, only half-success. Those who demand the benefits of a steadily growing international economy cannot at the same time insist on remaining major sources of instability and disruption; and those who wish to sell cannot at the same time refuse to buy. The only substantial exception that seems to me plausible is the protection of new industries in backward countries. But even here I think that the protection, to be justified, must be set up only as part of a carefully planned and specified program, and then only for a specified and limited time. The burden of proof is on the would-be protectionists.

Finally, it is obvious that those countries which seek American capital must also provide the legal and economic conditions which will make our investments secure, and which will make it possible for us to enjoy a reasonable share of the fruits if the investments are successful.

All these things follow obviously enough if we accept the original premises, from which the analysis started. The steps prescribed are not all easy, however. Some products, some groups, even some industries are certain to get hurt, especially by more liberal commercial policies—as the members of this audience well know. These are the products and the groups which in one way or another have benefited from government favors that were not available to most people. But so far as concerns the United States, the damage to particular segments of our economy, for example from the removal of tariffs, can presumably be largely avoided by spreading the changes over time. On balance, the gains, both to the American people at large and to our friends abroad, must surely far exceed any losses that prove in actual fact to be more than temporary. In our own enlightened self-interest, I think we **must** make our basic decisions along the lines I have just been sketching, and then carry them out courageously.

9 Data from U. S. Department of Commerce: for 1946-56, *Balance of Payments* (1958); for 1957-58, *Survey of Current Business*. Of the gross total of $273 billion, $21 billion represented military supplies and services bought in the United States and transferred under grants. For some purposes it may be desirable to subtract these transfers from the gross total, thus reducing the latter to $252 billion. For the purposes of the following argument, however, the effect is in either case minor.

10 The distribution of our merchandise exports was not greatly different. We had a substantial excess of exports to Western Europe, however; an equal excess of imports from Latin America; and roughly an even balance for Canada and for the aggregate of all other countries.

11 As a further example of the orders of magnitude involved, doubling the capital of the World Bank would increase its gold and dollar resources by only 3% of the annual total of dollars now being made available in other ways. The Bank's operations are of great importance both strategically and in the localities affected, but they are not large in relative terms.

12 If inflation in the United States runs at a more rapid rate than abroad, this too will increase current dollar availabilities while it lasts; but it is hardly a course to be recommended.

Joins Channer Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Paul G. Martens has joined the staff of Channer Securities Company, 39 South La Salle Street. Mr. Martens was formerly with Boettcher and Company.

International Liquidity

By PER JACOBSSON*

Managing Director, International Monetary Fund, Washington, D. C.

Commenting on the recent improvement in the reserves of most industrialized countries and the general current opinion that "nobody seems seriously to believe in any immediate threat to the world's liquidity position," Mr. Jacobsson, nevertheless, advances several reasons supporting an increase in the Fund's resources at this time. Included amongst these is the argument that it might make countries more confident to take the step towards convertibility. The distinguished international economist argues against gold price increase; points out that little was gained from the devaluations of the 1930s; praises highly the contribution of international commercial bank credit; and warns that too much gold may create excessive liquidity and, hence, give rise to inflation.

Per Jacobsson

A great deal has been spoken and written recently about the problem of international liquidity. A year ago when the economic recession became more in evidence here in this country, there were, of course, those who remembered, especially in Europe, how many learned economists, and others also, had been convinced that a setback in the American economy would expose other countries to a strain in their balance of payments and, indeed, intensify what had been called "the dollar shortage." For the European countries this could be a serious matter; a number of them had already experienced two periods of acute tension in their exchange markets since the summer of 1956, and if they now had to look forward to another period of exchange troubles, they were naturally inclined to be worried. The British especially, who had been taking strict measures at home to restore their financial position, began to be anxious, and they considered it necessary to enter into discussions with their American friends about the international liquidity position, with a view to finding out whether some safeguarding measures could not usefully be taken.

Looking back, we now know that movements in the exchange markets have been very different to what had been feared; instead of losing reserves to the United States, most European countries, and also some countries outside Europe — notably Japan — have been able to increase their gold and dollar holdings quite substantially, while the United States on the contrary has had to sustain a gold outflow of about $2 billion. Fortunately the United States has still very large gold reserves, and with other industrialized countries gaining reserves, there are not at the moment any signs of an immediate liquidity crisis or any real prospect of any such crisis in the foreseeable future. I think it is fair to say that, at the recent meeting of the Fund and the Bank in New Delhi, the representatives of the industrialized countries in Europe and elsewhere were more relaxed than they had been at any previous meeting of these two institutions. But even so, the discussion about the world's liquidity position has been continued; and —what is really significant — at the New Delhi meeting the representative of the United States put forward proposals for an increase in the resources of the Fund and the Bank. Why have these proposals been made; and why is it that these proposals have received almost universal approval at a time when nobody seems seriously to believe in any immediate threat to the world's liquidity position?

Before I try to answer these questions, let me for a moment recall how the problems of international liquidity were successfully dealt with in the days before 1914, when almost all countries adhered to the rules of the international gold standard. The gold standard system as it worked before 1914 secured for the world the following two advantages:

Reviews Pre-1914 System

In the first place it was effective in maintaining proper balance between the economies of the various countries. If in the pursuit of too lax a credit policy a particular country went out of line it would lose gold; and it was then bound by the generally accepted rules to increase its discount rates and take other restrictive measures to check or reverse the flow of gold. Since world trade was generally expanding, it was often sufficient for a country to call a halt in the credit expansion to get into line again. The measures were no doubt harsh at times but since world trade was expanding, they generally did not cause more than passing hardships.

Secondly, the regular flow of gold from current production led to a general increase in monetary reserves, which in its turn gave an impetus to expansion in the supply of credit, sufficient as a rule to provide the increase in purchasing power and working capital needed to finance the growth in trade and production. The Swedish economist, Professor Gustav Cassel, laid great stress on the role that newly mined gold played in securing an adequate expansion in the financial structure; he arrived at the famous figure of 3% as the rate of expansion required. In some periods before 1914 this rate was not fully reached, in other periods it was somewhat exceeded, but the divergence was never considerable, with the result that the general price level was relatively stable in the period 1860 to 1914.

If we take a look at the reserve holdings of the individual countries, we find that some had quite substantial gold reserves which went on increasing from year to year; others—particularly Great Britain — had what we would now consider astonishingly slender gold reserves—only some £30 million or $150 million when they were the highest for any pre-1914 year. One reason why London could manage to maintain orderly monetary conditions on such a slender gold basis was that Great Britain at the time was a pronounced creditor country and more precisely had substantial short-term claims on other countries—largely in the form of acceptances — which could readily be mobilized. Another reason was

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*An address by Mr. Jacobsson before the American Finance Association and the Metropolitan Economic Association of New York, New York City, Nov. 14, 1958.

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International Liquidity

the effectiveness of the British banking system, working with a traditional 10% cash ratio; in such a system only a relatively slight addition to reserves was needed for credit to be expanded in an effective way. As between the individual countries the proportion between the gold reserve, on the one hand, and the credit volume or the volume of foreign trade, on the other hand, thus varied considerably. Both for the individual countries and for the community of nations the efficient working of the credit system was a factor of the greatest importance. Just as the liquidity of an individual firm can never be judged on its cash holdings alone, since account must be taken of its credit standing and its borrowing possibilities, so the very fact that the international credit system functioned smoothly under conditions of widespread monetary confidence made it possible as a rule for individual countries to borrow when a deficit arose in the balance of payments, so that they would not have to rely solely on their reserves at a period of strain.

Gold Standard Lessons to Learn

There are indeed three main lessons still valid to be learnt from the working of the pre-1914 gold standard: there is need for monetary discipline to keep the various economies in balance one with the other; there must further be a mechanism sufficiently effective to assure the expansion in the credit supply needed to sustain the growth in trade and production; and thirdly, in order to implement these prerequisites and thus to assure a properly functioning international monetary standard there must be an effective international credit system.

Importance of Commercial Banks

Indeed, foreign as well as domestic trade is financed primarily by commercial banks and it is the supply of commercial credits that keeps the wheels of commerce moving. The liquidity generated in the financially important countries is therefore of special importance for the trend of world trade—to give but one example—and an example from our day—the credit expansion in the United States during the recent recession has helped to increase the supply of dollars also to the rest of the world and has thus facilitated international settlements. But in order to expand credit, the commercial banks need the support of the central banks—here in the United States of the Federal Reserve System—and such support can only be granted if the central banks themselves are in a sufficiently strong position. Situations may arise — in emergencies, in booms and in depressions—when the central banks are in need of temporary assistance — and the need of such assistance was, of course, one of the main reasons why the Bretton Woods institutions and especially the International Monetary Fund were established.

Before I turn to the consideration of the problems that now beset us there is one important phase of the inter-war period from which, I think, we still have a lot to learn. I refer to the phase which led up to and followed the suspension of gold payments by the Bank of England in September 1931. I suppose some still remember how in May of that year the largest Viennese bank — the Austrian Credit Anstalt — had to close its doors; how the nervousness which this created spread to Germany and gave rise in the summer to a very severe banking crisis in that country; how then within a few weeks the pound came under pressure and the flight of capital became so intense that in September, first the pound and then a number of other currencies were devalued. Thus a crack which had begun in a relatively small country went on spreading; and before the disruption was ended, both the dollar and the so-called gold block currencies—including the Swiss franc —had also to be devalued. There are a few observations which I would like to make in this connection.

Little Gained by 1930s Devaluation

It is often asserted that the real reason for the devaluation of the pound was that the British authorities had in 1925 stabilized their currency at too high a level, namely the pre-1914 gold parity—so that it necessarily had to be adjusted in relation to other currencies. But when the whole process of adjustment was over, by the middle of the 1930s, the pound and the dollar as well as most other currencies had again reached very much the same relation to each other as existed before the devaluations, so in that respect hardly any real change had occurred. Would it not then have been better if the original relationship had been preserved? After all, little was gained for the world by these devaluations: world trade remained stagnant throughout the 1930s, notwithstanding the resort to cheap money policies and deficit spending pursued in most countries.

In fact, some serious efforts were made in 1931 to support the existing exchange structure when it came under pressure. Special credits were arranged up to a total of about Swiss francs five billion or $1 billion which in real value would be qual to at least $2.5 billion today. These credits, as we know, proved insufficient but this does not mean that a larger amount of credit, perhaps twice as much, would not have been successful in averting the devaluations — and in doing so many of the subsequent troubles, political as well as economic, might well have been averted.

Winston Churchill has said about the second World War that it was the most unnecessary war in the history of mankind. I would not go so far as to say exactly the same about the devaluations of 1931 and the following years but I still think they could have been avoided: and if they had been avoided, much of the trouble that followed in their wake would also have been avoided and perhaps even the war itself.

I have dwelt at some length on this liquidity crisis of 1931 because I am haunted by Santayana's saying: "Those who do not remember the past will be condemned to repeat it."

Pre-World War II Years

After the gold standard had broken down in the inter-war period, something new and more firmly founded had to be built and that was the task at Bretton Woods. The International Monetary Fund in particular was established to ensure a better order in monetary relations and to do that by granting, in case of need, financial assistance which would help the particular countries to take the proper steps to restore balance both internally and on their foreign accounts. It was specifically laid down that the Fund was not intended to provide facilities for postwar reconstruction or relief. Nevertheless, thanks to Marshall Aid and the fact that many overseas countries had fairly large sterling and dollar balances accumulated during the war, it was possible to embark upon programs of postwar reconstructions without being unduly hampered by a dangerous shortage of foreign exchange. Since these needs were thus met from other sources, there was little necessity for Fund assistance in those years.

The combination during the war years of direct controls to keep down prices and the generally rapid rate of increase in the volume of money and of claims that could easily be turned into money left most countries with excess liquidity in their domestic markets in the postwar period of reconstruction. This excess liquidity necessitated some important adjustments, which for the most part took the form of a fairly rapid increase in prices, although in a number of countries the adjustments also took the form of devaluations. Often one crisis followed the other—notwithstanding the aid from abroad—but after 10 years of postwar reconstruction, two important results had undoubtedly been gained: (1) by 1956 the European economies had generally reached a fair degree of balance internally and in relation to each other and to the rest of the world; (2) by that time the adoption of flexible credit policies (including changes in interest rates) had generally been accepted as an essential element in the efforts to maintain a balanced position.

Suez and 1957 Crises

Both these gains were put to a severe test at the time of the Suez crisis that occurred in the autumn of 1956, which, in particular, exposed the pound sterling to a considerable strain. The pound being a currency used for international settlements was particularly vulnerable in a period of nervousness; those who had claims on London asked for immediate payment, while those who had payments to make in sterling delayed as long as they could the date of settlement. Britain's gold and dollar reserves were rapidly reduced by these capital movements, although the current account of the balance of payments continued to show a surplus. In December, the British Government turned to the Fund with a request for financial assistance for an amount of $1,300 million, and received a drawing of $561 million, and a stand-by of $739 million. Moreover, a line of credit of $500 million was arranged with the Export-Import Bank. The assistance by the Fund was granted on the basis of a declaration by the British Government that strict financial and credit policies would be pursued; that quantitative restrictions would not be reimposed; and that the value of the pound sterling would be maintained. Thanks to the policies thus pursued, and the financial assistance obtained, the crisis was averted and the value of the pound upheld.

Nervousness persisted however. In the summer of 1957 a new tension set in on the European exchange markets—this time caused more particularly by rumors regarding a possible revaluation of the German mark. In September, 1957, when the crisis was at its height, the Bank of England raised its discount rate from 5 to 7%, while the Deutsche Bundesbank lowered its rate from 4½ to 4%, and declarations were made at the Fund Meeting in Washington to the effect that there was no intention to alter existing exchange parities. These measures and declarations impressed the markets, calm being restored; from October, 1957 up to the present—for 13 consecutive months—Great Britain has been able to add to its reserves. All this points to the fact that the pound was not overvalued; that there was no fundamental reason for any devaluation; that it certainly was in the general interest that the exchange crisis should be overcome. For had it led, as happened in 1931, to an alteration in exchange values, nobody could have told what the consequences might have been.

At the time of the Suez crisis the Fund was able to grant substantial assistance to Great Britain because its holdings of gold and convertible currencies were at that time still almost intact. This was, however, the beginning of a very active period for the Fund, and the assistance granted has reduced its uncommitted resources so that today it would not again be possible to extend assistance on such a massive scale as was received by Great Britain.

Reasons for Increasing Fund's Resources

So, when I now turn to the question of increasing the resources of the Fund, one of the principal reasons for such an increase—but by no means the only one—is to be found in the general interest of avoiding devaluations which are not dictated by the realities of foreign trade and competitive prices, since experience shows that once a crack starts it is difficult to limit its effects. However, in this connection, it is important to remember that the British Government itself took very strict measures, including an increase in bank rate, to 7%—which is an unusually high rate in times of peace. In other cases where the Fund has granted financial assistance corrective measures have also been taken by the countries which received the assistance; and the policies which the countries in question intend to follow have been set down in declarations to the Fund, often taking the form of comprehensive stabilization programs, as recently in the case of France, Brazil and Turkey. In these and in some other cases, the resources which the Fund has provided for the support of their programs have been supplemented by credit facilities, largely of a more long-term character, obtained from other sources—from U. S. agencies, the European Payments Union and, in a few cases, also from New York banks.

The principles and practices which govern the granting of financial assistance from the Fund had already been laid down by the Board of Executive Directors before the active period started in 1956. The attitude of the Fund towards requests for drawings or stand-by arrangements depends not upon the absolute amount involved, but upon the proportion it bears to the country's quota (each country has a quota in the Fund which determines not only its contribution to the Fund but also its voting power and its possibilities of obtaining assistance). Requests for drawings of the first 25% of the quota, normally corresponding to the country's own gold subscription, are almost automatically approved; for the next 25% the Fund's attitude is a liberal one—the members being required to show that they are making reasonable efforts to solve their own problems. For any drawings beyond these limits, however, substantial justification is required: namely, that the drawing must be in support of a sound program likely to ensure enduring stability at realistic rates of exchange. It is largely through the application of these principles that the Fund is able to contribute to the observance of a degree of monetary discipline in the member countries. The Fund is not therefore just an additional source of credit, but is recognized more and more as a source of credit that is available in substantial amounts only to member governments that have satisfied the Fund of their intention and capacity to restore balance. These principles apply to developed and underdeveloped countries alike; in fact, the majority of cases in which the Fund has granted assistance has been in relation to underdeveloped countries, which have had to satisfy the Fund as well as the other institutions from which they have requested assistance as to the soundness of their programs. I believe that with the enlargement of the Fund's resources there is no desire or intention to depart from the principles which have thus been laid down.

States Fund's Policies

There are indeed some strong arguments for contributing to an increase in world liquidity, when such a contribution is required, by means of an increase in the Fund's resources; through the financial assistance the amounts made available by the Fund are pinpointed to particularly weak spots in the monetary structure, and are thus used to prevent cracks. Secondly, the funds are made available at a time when they are most needed —which may be in times of boom as well as in times of depression. As a matter of fact, the greatest amount of Fund assistance was made available in the boom years of 1956-57. The Fund has in fact shown that it is prepared for diverse contingencies — many of which cannot be clearly defined in advance. Thirdly, the Fund will help to ensure that degree of financial discipline, without which no international monetary standard can function properly.

May I add some further considerations which argue in favor of an increase in the Fund's resources? The balance which has been restored by the economies of various countries, taken together with the recent improvement in the reserves of most industrialized countries, has naturally again raised the question whether some further steps could not be taken in the fairly near future to restore the convertibility of currencies, at least of the leading countries. The possibility of having recourse to the Fund's resources—as a second line of defense—may make countries more confident to make progress towards convertibility, and may, indeed, induce them to take stricter and more constructive measures than if they had to rely on their own resources alone. At the New Delhi Conference, the British Chancellor of the Exchequer, Derick Heathcoat Amory, stated at the Fund meeting that the strengthening of sterling had "brought us still nearer to the convertibility of the pound, which is our objective."

Secondly, it is an important fact that the world's trade has risen considerably in volume and value in the postwar period, with the result that whenever periods of nervousness set in very considerable shifts may occur in the timing of the payments between the various countries; therefore, in any emergency, or even in any period of exchange tension, the movements of funds that will follow are likely to be on a large scale. The rise in prices by at least 50% since 1946 has reduced the real value of the Fund's resources, which are now considerably less than was envisaged when the original endowment was made. In fact, an increase in these resources by 50% would merely give to the Fund the same power of action that was allotted to it at Bretton Woods. At the moment the Fund's uncommitted resources in gold and U. S. dollars amount to $1.4 billion. By an increase of 50% in the quotas the Fund would obtain an additional amount in gold and U. S. dollars of about $2 billion; it also seems likely that drawings of some of the major currencies which are not yet fully convertible will become increasingly attractive to members.

Thirdly, I should like to emphasize that the Fund's ability to provide resources to countries in difficulties benefits not just those countries which have sought or may seek the Fund's assistance but

all the members of the Fund. This will be true in the future as it has been in the past. It was, for example, in the general interest that a devaluation of the pound sterling was avoided in 1956, that tension in the exchange markets was reduced in 1957, and that countries have been helped to push forward with their stabilization programs; it is also in the general interest that by means of a stricter observance of financial discipline a sound monetary basis should be created for a renewed expansion of world trade.

Discusses Gold Devaluation

Now I can imagine that somebody might say that although an increase in the Fund's resources is all to the good, there still remains the problem of providing the regular increase in liquidity required for an expanding world trade. It has already been said above that commercial banks to be able to increase their financing will have to be supported by the central banks, but that these central banks will be in a position to give that support only if they themselves are in a strong position. The question may well be asked whether it is not then necessary to ensure a regular increase from year to year in the reserves of the central banks, and is it not true to say that the Fund cannot contribute to any such sustained increase in reserves, since its assistance is only of a short-term character—being repayable within three to five years? Would it not be better—it has further been asked—to raise the gold price so that more substantial contributions could be obtained from the current output of gold?

These are important questions, and I could only wish that I had more time to devote to them. The staff of the Fund has this summer published a document entitled "International Reserves and Liquidity" in which these problems are fully discussed. Here I can only make a few brief remarks.

Those who advocate an increase in the gold price generally take as a starting point a particular year in the past, say the year 1938, when the relation of reserves to world trade was exceptionally high, and they then contend that a similar relation should be restored without much delay.

But 1938 was a year of stagnant trade in a disturbed world unsuitable, for this and other reasons, as a basis for any comparisons. If 1930 or 1928 had been selected instead, the present reserve position would appear in a much more favorable light. But so many other factors have to be taken into account—among them the proper working of the international credit system—that no year in the past can really be said to provide an appropriate basis for the purpose of comparisons in this field.

An Adequate Gold Supply

Another line of argument has been that since world trade may be expected to rise by something like 3% a year, central banks ought to increase their reserves by 3% a year also. But such a projection presupposes that those countries which already have large reserves should also continue to increase them at this rate. We find, however, that in general many of these countries consider that they already possess all the reserves they need to give adequate support to their commercial banks, and to meet whatever deficits may arise in their balance of payments. I am told that neither Switzerland nor Western Germany want to add at all to their present reserves—and I believe the same applies to Venezuela — while the United States is still the owner of over one-half of the Free World's stock of monetary gold. If one limits the consideration to the other countries which have not such large reserves, one finds that an increase at the rate of 3% per year would, over the next 10 years, require an addition to reserves of about $8 billion. On the other hand, we find that the addition to reserves from current gold production is likely at the present price of gold to be at least $7 billion for the next decade, even after allowing for an increase in the present large gold hoards. Thus gold production as a whole will go far towards meeting the additional requirements of reserves, and some further addition may be expected from increased dollar and sterling holdings of many countries. Moreover, the likelihood is that some of the countries which ought to add to their reserves will not in fact do so, and the result is therefore likely to be that at least some of the newly mined gold will be diverted to countries which already have sufficient reserves.

If the gold price were nevertheless to be raised and the annual supply of newly mined gold becoming available for monetary purposes were thus to be increased by added value and rising output from $700 million to, say, $1,400 million a year the result might well be that too much gold would be offered to the monetary authorities. One must not forget that liquidity can be excessive, giving rise to further inflation if costly and difficult countervailing measures are not taken. It may well be held that gold will retain its usefulness as a currency basis (and not lose it like silver did) only if it remains sufficiently scarce to be well sought after and willingly absorbed.

The British Slender Reserves in Perspective

I mentioned at the beginning of this discussion that in the days of the old gold standard before 1914, the British banking system was able to expand credit sufficiently on a relatively slender gold basis. Now that the leading countries have relatively ample gold and foreign exchange reserves—especially after the recent improvement in the British position—it would seem that the credit volume in these countries could be expanded sufficiently to meet the normal needs of a dynamic world economy without any of them being unduly hampered by reserve considerations. Although there is therefore little reason to worry about the overall reserve position of the world, safeguards must nevertheless be provided for exceptional circumstances of an emergency nature, for assistance in the implementation of stabilization programs, and for some other purposes — requirements which may be met by resort in case of need to the resources of an enlarged Fund. If these safeguards are provided, the basis should have been established for the pursuit of intelligent credit policies under which sufficient liquidity can be generated to keep pace with, and even to stimulate, the growth of world trade. These are developments which are important even in a much wider field for they form a prerequisite for more confident long-term investments, and for the pursuit of all those other activities which help to build up a sound world economy.

Before I finish I should like to point out that the Free World's record in the financial field has been far from unsatisfactory in recent years. There have been formidable difficulties to be mastered, of both a political and an economic nature, but what have the results been? The emergency after the Suez crisis was successfully overcome, and so was the tension on the exchange markets which became so acute in the summer of 1957. There is now more confidence in most currencies than there was only a few years ago. Moreover, the recession here in this country has once again been only of short duration. World trade has not generally been hampered by new obstacles in the form of increased tariffs or import restrictions, but showed considerable resilience in the face of a downward trend of business. Foreign aid has been continued, and efforts have been made by the Fund and others to extend financial assistance to countries in temporary difficulties, not only to permit corrective measures to take effect but also to enable them to continue their development. All this has very largely reflected sound judgment and courageous action on the part of the authorities in many countries of the Free World. And it is, of course, in the interest of us all that the progress made should be consolidated and expansion resumed. I think we may regard the proposals to increase the resources of the Fund and Bank as a further sign of willingness and determination to give added strength to the economies of the Free World.

Floersheimer Grant for Chair in Psychology

A sustaining chair in psychology at Yeshiva University's Graduate School of Education has been established through an initial gift of $50,000 from New York financier Walter D. Floersheimer, it was announced by Dr. Samuel Belkin, President of the university.


W. D. Floersheimer

Mr. Floersheimer is senior partner in the firm of Sutro Brothers & Co., New York City. The chair will bear the name of David F. Floersheimer, the donor's father.

Coast Exchange Members

Election of Ted D. Carlsen, general partner of Woolrych, Currier & Carlsen, to membership in Pacific Coast Stock Exchange through membership in the Los Angeles Division was announced by Frank E. Naley, Exchange Board Chairman.

The firm of Woolrych, Currier & Carlsen has offices in San Diego and Los Angeles and the other partners are Edmund H. Woolrych and Warren Currier III. Mr. Carlsen entered the securities business as a reporter on the trading floor of the Exchange in 1937, became a clerk on the floor for one of the member firms and was a trader for various securities firms in Los Angeles prior to becoming associated with his present firm in 1958.

Lee A. Huey of L. A. Huey & Co., Denver, Colo., has also been elected to membership in the Los Angeles Division. L. A. Huey & Co., 1 Equitable Building, Denver, Colo. was organized in 1953 by Lee A. Huey, President. Mr. Huey entered the securities business in Nebraska in 1935. He was principal in a securities firm in Nebraska prior to moving to Denver and organizing his own firm. L. A. Huey & Co. is the fifth firm headquartered outside of California or New York that has recently acquired membership in the Pacific Coast Stock Exchange.

Two With Peters, Writer

(Special to The Financial Chronicle)

DENVER, Colo. — Thomas B. Lorenz and Robert F. Maul, Jr. have joined the staff of Peters, Writer & Christensen, Inc., 724 Seventeenth Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is adjusting itself to the recent refunding operation of the Treasury which has been a successful undertaking in spite of a fair sized attrition. The use of short-term issues in order to provide for the December maturities appears to have resulted in a minimum of disturbance as far as the money market is concerned. It is also evident that the uncertainty and caution which is so prominent in the money market is creating a demand for the most liquid Government obligations. This has been helpful to the Treasury in its new money offerings as well as its refunding operations.

Because the Treasury is expected to take advantage of the pool of short-term funds in its future operations, there is less pressure on the longer-term bonds. This, in the opinion of some money market specialists, could bring about better price action in the more distant Government obligations.

Refunding Tailored to Money Market

The refunding operation of the Treasury was fitted to meet the existing condition of the money market, and the fact that the two refunding issues went well is ample evidence that the Government has taken the December hurdle pretty much in stride. The shortest maturity was tailored to meet the needs of the Central Banks, the largest holders of the December maturity.

On the other hand, the two year five and one-half month note was not long enough to have an adverse effect on the more distant Government obligations, in spite of the minor market weakness which developed in these securities. The short refunding note appealed to those investors who were not so much interested in the certificate which was offered in the package deal. It is indicated that certain holders of the December maturities who went in heavy for the certificates also exchanged some of their holdings for the new refunding note.

No Demand for Longer Issues

The fact that the Treasury in its December operation kept to the near-term end of the list appears to indicate that there is still a lack of interest in the more distant maturities of Governments. It seems logical to assume that the Treasury would have used a longer-term obligation in its most recent refunding if it was confident that such an issue would have been well taken by the owners of the maturing securities. It is well known, of course, that the Treasury is most anxious to extend the maturity of the Government debt.

The Discount Procedure of Interest

According to certain money market specialists, the interesting part of the last refunding operation was the fact that the Treasury was willing to offer securities at a discount. This seems to mean that the Government does not want to push the coupon rate up, in spite of the firm money market. By offering securities at a discount a lower coupon rate can be used. This is a development which should be watched very closely and the new money and refunding operations that will have to be undertaken in 1959 will tell whether this discount offering of Government securities is just a one-shot situation or something that will be used more extensively in the future.

The introduction of the twenty-six week Treasury bills seems to indicate that the Government is going to use this short-term sector (bills), for the raising of a fair amount of its new money. This kind of financing is made to order for corporations and these buyers of Government securities are now in a position to make commitments from a week to twenty-six weeks depending upon the need for liquidity. The sale of Treasury issues to corporations does not increase the money supply and this is one way in which the inflation potential is cut down.

"Worst Enemies of Fixed Return Securities"

The fact that the Treasury has confined its refunding and new money raising operations to the near-term money market should not have an unfavorable influence on the more distant issues, in spite of the apparent lack of interest in these securities. The inflation fear and the inflation psychology seem to be the worst enemies of fixed income bearing obligations, and there is not likely to be very much of an interest developed among buyers for these securities until there is some lessening in the strength of these forces. It is quite evident that if there should be a further upsurge in the inflation bias, there will be higher interest rates and tighter credit conditions, which will mean the pressure will increase on the bond market.

Future Planning Appoints A. P. Parker

Arthur P. Parker has been appointed National Sales Promotion Manager of Future Planning Corporation, 350 Fifth Avenue, New York City, it has been announced by Karl D. Pettit Jr., President. In his new post, Mr. Parker's duties will include the overall supervision, development and preparation of sales training courses, training methods and manuals for Future Planning salesmen.

A veteran of the life insurance industry, his background includes sales training activities with The Mutual Life Insurance Company of New York from 1927 to 1954, and the United States Life Insurance Company from 1954 to date.

With Burton, Dana

K. Philip Dresdner is now associated as registered representative with Burton, Dana & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Hooker & Fay Adds

REDWOOD, CITY, Calif.—Benjamin C. Chapman, Larry K. Hatlett, Stuart W. Thomson, John Inglis, Jr. and Robert K. Bourne have joined the staff of Hooker & Fay, 723 Middlefield Road.

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As We See It

thing approaching it, by means of higher tax collection would take much steam out of moves to reduce expenditures drastically.

Not Unduly Optimistic

Let no one, in any event, become unduly optimistic about the national fiscal outlook. The President has had some fairly strong statements to make since the election about unnecessary spending and inflation. There is no reason to doubt that he feels just as he says he does. The fact is though that he has not given the slightest indication of understanding what needs to be done, indeed, must be done, if the dangers he speaks of—and others as well—are to be avoided in the future. Doubtless he would gladly approve lopping off some of the extravagance now to be found in every budget statement. He might go further in this direction than a number of the members of his own party. The fact is though that nowhere, or virtually nowhere, in the President's Administration or in his party is there readiness to drop or even to make sharp reductions in the activities and the functions undertaken by the Federal Government, and drastic measures of just this sort are absolutely required if a position of financial soundness is to be reached in national affairs.

It is not only lack of efficiency in operations, but utter recklessness in undertaking functions, that is the heart of the current fiscal difficulties, and has been since the day when Franklin Roosevelt launched his program of spending our way out of the depression of the early and middle 'Thirties. In point of fact the disease of loose fiscal programs had reached a stage of rather advanced incipiency before President Roosevelt stepped into the White House, but it was the author and finisher of the New Deal who made a virtue of extravagance and financial irresponsibility—and, worse yet, set the pattern of popular thinking on the subject. That disease is with us today, and there is as yet no indication that it is likely to be thrown off. President Eisenhower certainly can be described as no more than an advocate of somewhat greater moderation in the virility of the ailment.

The Record

Let us turn to the record. In fiscal 1958, more than a dozen years after the end of World War II, and a half decade after President Eisenhower succeeded in bringing active hostilities in Korea to a close, expenditures for veterans' services and benefits totaled around $5 billion, an amount larger than for a number of years past, and certainly one twice as large as prudence and fairness would suggest. Mere tinkering with this sum to bring it down a billion or so is not the remedy we must have. In 1941 with all the scandalous bonuses and the like following World War I, the figure was only about a half billion. No one, of course, would want to dishonor or neglect veterans with service-connected disabilities, but this stubborn program of doing all sorts of favors for them which they could do for themselves simply is not in accord with prudent management of our affairs and is not fair to the rest of us who must meet the bills.

"Labor and Welfare," a heading which includes a multitude of sins, took not far from three and a half billion out of the pockets of the taxpayers during the fiscal year ended June 30, 1958. This is a greater amount than has been reported for several years—and it has long been much too large. "Agriculture and Agricultural Resources" took well over four and a half billion during the 1958 fiscal year. This, of course, was years after the President began to talk about greater sanity and commonsense in dealing with the farmers of the nation. Then there are the categories such as "Natural Resources," "Commerce and Housing" which are catch-alls for a number of programs with which we could well do without. Are these amounts to be merely "trimmed" to reach a middle of the road sort of status? It would certainly be surprising if a great deal more than this is to be expected for the time being at any rate.

The rank and file should consider what it would be like should such abnormal functions be eliminated from the programs of the Federal Government, thus making it possible to reduce income taxes to something approaching reason—to cite only one major advantage. Few realize probably what these excessively high and progressive income rates are doing to the incentives of the younger men at the start of their careers, many of them possessed of ambition, energy and capabilities akin to those of earlier generations who built the railroads, and the huge manufacturing and other enterprises that have become commonplace with us in this day and generation and which are the envy of all the peoples of the world. It is not only a matter of the funds that have to be paid out each year to the tax collector but the millions of manhours which must be devoted each year to record keeping and the preparation of forms to indicate what taxes must be paid, and to satisfy the tax collector that the accounts are being handled correctly and honestly.

If only there were some indication that real progress was in store for us in these matters!

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Growth of Employee Benefits And the Trend of Inflation

frilled-up package. Some think we have now reached the dinosaur age of automobiles and that in the future their size will tend to decrease. While The Bureau of Labor Statistics attempts to allow for changes in the quality of different products in determining purely price changes, it cannot do so completely. Accordingly, any tendency for the automobile package to stop growing will to some extent be reflected in prices.

A third large area in which price increases at the consumer level have been noticeable and persistent is that involving services of various types. In this I would include rent as well as such items as doctors' fees, dry cleaning and the like. Since 1947 the cost of medical care has risen by 53% and residential rents by 47%; both substantially greater than the 30% rise in the Consumer Price Index in total. However, these items tend to move slowly and to a considerable extent the persistent rise in these items in recent years reflects a continuing adjustment to the general change in price levels since prewar. For example, the overall Consumer Price Index is slightly more than double the level of 1939. Medical care shows a slightly smaller increase, being just about double the 1939 level, and residential rents are only 60% higher than in 1939. Thus, the catching up process for some items may have some distance to go yet, but recent changes suggest that a considerable part of the adjustment has been made and that the rate of rise in the prices of most services from now on may be somewhat slower.

Thus, for items which over the past two or three years have contributed importantly to the rise in the general price level, the outlook for the next year or two is for declines in some basic areas, such as food, and for at least a moderating of the rise in others, such as rent, medical care, utilities and other services. Thus we face what promises to be something of a breather in the upward course of the general price level.

Longer Run Influences

From the longer term point of view, there has been a gradual but perceptible shift in attitudes toward the inflation problem. Many of us can recall that at the end of World War II there was a great concern that the United States would lapse into serious depression such as we experienced in the 1930s. Ours was still looked upon as a mature economy and there was great question about whether there would be sufficient outlet for new investment to absorb the saving that would be made at a high level of income and employment. This concern with depression, growing out of the experience of the 1930s, was reflected in the language of the Employment Act of 1946 and in the general unwillingness of public officials to take any action which would run any risks of precipitating unemployment and plunging our supposedly delicate economic machine into the abyss of depression.

Contrast this with the situation today. Neither the general public nor public officials consider it a matter of vital significance that unemployment in August totaled some 4,699,000, or 7.6% of the labor force on a seasonally adjusted basis, the highest ratio of unemployed for any month since the recession started. Rather, the public is vitally concerned about inflation, and public agencies with means to restrain our robust private economy in order to combat inflation.

The shift in emphasis is perhaps most clearly illustrated in Federal Reserve policy. Immediately after World War II the Federal Reserve was concerning itself primarily with stabilizing the prices of United States Government Bonds rather than the prices of commodities. Any time anyone needed money, all he had to do was sell a United States Government Bond. If there were no other buyers for the bond the Federal Reserve system stood ready to supply the necessary credit. This, of course, was a very inflationary action, and it was not until 1951 that the Federal Reserve abandoned this policy in favor of allowing market pressures to affect interest rates. Then, in the 1953-54 recession, the Federal Reserve was quick to act to ease the money market, actually beginning in the spring of 1953, before the recession had really gotten under way. At the same time it was slow to act in reversing its early money policy as recovery from the 1954 recession began. The discount rate was not increased until April, 1955.

On the other hand, in the most recent recession, the Federal Reserve raised the discount rate in August 1957, actually slightly past the peak of the boom, and held it there until mid-November, by which time it was clear to almost everyone that a business recession was under way. Conversely, on the upswing, it was quick to act when it was convinced that business recovery was under way, raising the discount rate beginning in mid-August of this year, only four months after the low point of the recession.

Our Willingness to Stop Inflation

This willingness to hold the monetary reins tightly while the business recession was beginning in 1957, and then to tighten up quickly again this past summer even though unemployment was at the highest level witnessed in the postwar period, reflects the great concern of public officials and the public generally with inflation and indicates a willingness to run risks of deflation that would have been unthinkable ten years ago. I do not cite this in any critical way whatever — I approve of it. But it is an indication that we are taking bold steps in the area of public policy to hold down inflationary forces.

Not only is there a difference in attitudes toward the inflation-depression question which is reflected in public policies, but the basic situation is itself less inflationary than it was some years ago. For example, at the close of World War II there were substantial shortages of many raw materials, of consumer durable goods and of business capital equipment. One by one these shortages have been eliminated and today it is difficult to see any area in which there is a serious shortage of the character we had 10 years ago.

Similarly, in the financial area we find a significant decrease in the liquidity of the economy. As one indicator of this, the money supply (defined as demand deposits plus currency in circulation) dropped from approximately 45% of the Gross National Product in 1947 to around 30% at present. I won't belabor the point, but a similar story could be told for consumer credit, even more for mortgage credit and for the working capital position of business generally.

Thus, we see a greater willingness on the part of the public to accept measures designed to prevent inflation; we have an announced intention on the part of public officials—particularly those in the Federal Reserve System—to do all in their power to prevent inflation; and the basic situation with respect of physical shortages and financial liquidity is such that their measures should be effective.

The Wage-Price Spiral in Pace-Setting Industries

There remains only one area that offers the possibility of being a persistent source of inflationary pressures—the wage-price settlements in the pace-setting industries which throughout the postwar period have been instrumental in starting individual rounds of the over-all postwar inflation.

However, in this area, too, the public is becoming more informed on the nature of the wage-price spiral and its relation to the inflation process. Numerous private agencies have contributed to this growing understanding and I believe the activities of the Committee for Economic Development have been especially noteworthy in this respect. Government itself has contributed, particularly in the reports of the Council of Economic Advisers and the studies and hearings by the Joint Economic Committee. Whether because of the growing weight of public opinion, the pressures of the business recession itself — which was especially marked in the auto industry—or for some other reason, it is a fact that the recently-signed three-year agreement between the United Automobile Workers and the Ford Motor Company marks the first major settlement in a pattern-setting industry in which the increase in wage costs does not, on the face of it, go beyond the amounts that could normally be provided through growth in productivity. The basic settlement provides for a 2½c annual increase in hourly wages over the next three years. Skilled technicians receive a larger increase, but this is offset by the fact that company contributions to the supplemental unemployment benefit fund are scheduled to continue at the same rates as previously. Thus, direct wage costs apparently will not rise appreciably because of the increase in benefits to be paid. While, we do not know for certain to what extent the Ford settlement will set a pattern for other industries, I do feel that it is a very constructive development which holds out the possibility that the wage-price cost-push inflation spiral may be checked.

Prospects for Stable Prices Best In 20 Years

All in all, a combination of factors seems to be shaping up

which makes it reasonable to conclude that the prospect of holding inflation, or of slowing it to a very gradual creep, is brighter today than at any time in the past 20 years.

There is, of course, one major threat in the international political arena which could upset the happy prospect of a stable price level. I refer to the cold war between the East and the West, which could break out in a hot war at any time. However, I accept the judgment of the experts that neither side will knowingly precipitate a major holocaust in which we would all perish, and the general public seems to operate on this assumption. Also, the public is getting used to having small skirmishes at the fringes where East and West meet and does not become unduly upset by them. Such an attitude also can play an important part in promoting a stable price level.

While the prospects for controlling inflation seem encouraging, it would be a rash person who would predict that the Consumer Price Index would never exceed the peak reached in July of this year. My honest belief is that the price level will have some upward drift to it over time, but it would be my guess now that the upward drift will be something less than 1% per annum. Even so, when we consider the future of employee benefits, particularly pension or other retirement benefits, we must give heed to the gradual increase in the level of living of the country as time goes by. In the past, per capita income has grown at the rate of approximately 2% to 2½% per annum on the average. This factor seems likely to be a more important influence on future benefits than inflation.

For example, the level of disposable income is running today at approximately $6,000 per family on the average. If past growth rates for the economy continue into the future, and we have every reason to expect that they will, then per family income levels will rise to about $7,500 in 10 years, to something over $10,000 in 25 years and to about $15,000 by the year 2000. The year 2000 may seem a long distance away; and yet, the retirement benefits for which we are making provision today will be being paid out at that time. Thus, if we consider that a pension of $400 a month is adequate today in relation to today's income level, we should recognize that 40 years from now, when some of our people now employed will be drawing retirement benefits, they will need a benefit of about $1,000 a month to do the same job in relation to income standards then as $400 a month does today.

Inadequate Amount Set Aside

The moral of this is clear. Not only will benefit levels continue to rise, but amounts being set aside to provide them today will probably prove inadequate. And all this is without giving any effect whatever to inflation. I might note in this connection that a modest rise in the price level of less than 1% per annum will not make any material in these numbers. A rise of ½% per annum, for example, adds only 20% at the end of 40 years. But as the rise mounts over 1% per annum, the level of needed benefits multiplies rapidly. For example, a rise of only 2% per annum would double the amount of benefits required to provide the same relative standard of living for a retired employee as if there were no rise in the price level—and a rise of 3% per annum in prices would require triple the amount. Such is the power of compound interest.

Summary

At this point, let us now summarize a few of the possible implications of these trends. In the first place, we have noted the tendency for employee benefits to increase more rapidly than the level of income. This is a long-term trend, which may have been accelerated by the development of unions and the greater willingness under war-time wage controls to permit fringe benefits where an equivalent amount in direct wage payments might have been considered more inflationary; but it has been a persistent trend that appears destined to continue. As income rises in the future, fringe benefits seem likely to continue to increase in attractiveness compared with the direct receipt of an equivalent amount of money. This is a part of the general upgrading of living standards.

It also seems clear that benefit amounts will continue to increase and that benefits will spread into additional areas. Besides retirement, accident, hospitalization and sickness benefits, I can visualize that the general field of education, particularly at the college level, is one that is ripe for development. I am told that a higher proportion of those of college age is now attending college than was true of those attending high school immediately after World War I.

Urges Expansion of Fringe Benefits

In closing, I would urge firms to bend every effort to explore the areas in which they might expand their present fringe benefits—both in amount and extent of coverage, and in areas that are not now covered. For surely these developments will come. If they are not done by private enterprise, you may rest assured that they will be done by government. I do not mean to imply that additions and improvements in programs should be put into effect immediately, but only gradually over a period of time as our rising standard of living makes them appropriate. Alertness in seeking out areas where the company can expand its activities in this field will be a great service to the company, and to the people in your company. As Mr. Cordiner said: "The manager who merely tries to keep his plans and policies up to date is already out of date. He must keep them up-to-the-future, where the objectives of the business will be achieved."

Alex. Brown & Sons To Admit Four

BALTIMORE, Md.—Alex. Brown & Sons, 135 East Baltimore Street, have announced that, subject to approval by the New York Stock Exchange, four new members will be admitted to the firm on Jan. 1, 1959.

The new partners are W. James Price IV, S. Bonsal White, Jr. and R. Gerard Willse, Jr. in the Baltimore office and James E. Holmes, Jr. in Winston-Salem, N. C.

Mr. Price joined the firm in 1952. Mr. White joined Alex. Brown & Sons in November, 1948. Mr. Willse joined Alex. Brown & Sons in 1945, and since 1949 has been associated with the municipal bond department. Mr. Holmes joined Alex. Brown & Sons in 1948.

Reynolds Correspondent

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Rouse, Brewer, Becker & Bryan, 734 Fifteenth Street, N.W., Washington, D. C., also members of the New York Stock Exchange, became their correspondent effective Nov. 14.

John A. Kemper Adds

(Special to THE FINANCIAL CHRONICLE)

LIMA, Ohio—Myron H. Eversman has become affiliated with John A. Kemper & Co., 121 West High Street, members of the Midwest Stock Exchange.

Public Utility Securities

By OWEN ELY

Baltimore Gas & Electric Company

Baltimore Gas & Electric provides utility services in Baltimore and adjacent areas. Electricity accounts for 70% of revenues, gas 29% and steam 1%. Residential sales provide about 34% of electric revenues, industrial 34%, commercial 31% and other 1%.

The company controls Safe Harbor Water Power, a hydro company on the Susquehanna River with 400,000 kw. capacity. Baltimore G. & E. has five steam plants with a capacity of 955,500 kw.; in 1957 it generated 79% of electric output and purchased 21%, mainly from Safe Harbor. About $1 million was saved this year due to extensive interconnections. Natural gas is obtained from the Columbia Gas System, daily demand being 145 million cf.

The company's share earnings remained irregular during 1946-1954 but increased moderately from $1.89 in 1954 to $2.33 in 1957. However, the return on net plant account has averaged below 6% for some years—as compared with 8% in 1946—and the company decided that it would be necessary to seek rate relief. Accordingly, last January the Public Service Commission of Maryland was asked for an increase of nearly $10 million, and it granted about 95% of this amount, equivalent to approximately 63c a share. The company had asked for 6½% return but received 6¼%. However, the rate base was estimated as of Dec. 31, 1958—an unusually favorable method.

However, the Commission did not give very much recognition to the state's "fair value" law and fixed a rate base only about 3½% above book cost. It also refused to grant any additional rate increase at the present time to cover storm costs; the storm of last March cost the company $2.5 million in operating expenses which is being amortized over a five-year period.

The Commission's decision was rendered promptly and electric rates became effective Aug. 1. In its decision the Commission made the following statement, indicating that it is taking a practical view of regulation: "In the determination of rate of return we must also consider the attractiveness of the company's securities in the money markets, where company must compete against all other utilities to obtain the vast quantities of capital required to meet the demands and needs of its customers." The election of a democratic governor in Maryland is not expected to affect the regulatory situation adversely.

The company expects that business will continue to expand. Maryland ranks seventh in rate of population growth among the 48 states. Residential construction, after slowing down for about a year, has recently picked up again; the number of new homes completed in the company's area in September was almost equal to those built in that month during the peak years 1955 and 1956. New office buildings include the very large national headquarters of the Social Security Administration. Kennecott Refining Corp. is building a large plant, to be completed in 1959. The city of Baltimore is planning to rebuild some downtown areas, and substantial loans have been voted to finance these projects. As a result of this activity new industrial and commercial business contracted for in 1958 will exceed 1957. Residential sales this year are running about 7½% over last year despite the fact that summer air-conditioning sales were low.

During the five-year period 1959-63 the company expects to spend about $270 million; this year's expenditure will approximate $1 million and next year's some $46 million. About one-third of cash requirements are generated internally so that about $180 million in new securities may have to be raised during the five-year period, an average of $36 million a year.

Earlier this year the company sold $30 million bonds. Capital structure is now about 50% debt, 7% preferred stock and 43% common stock equity. The company has had in mind issuing some preferred stock, but market conditions are not favorable. It does not expect to do any equity financing in 1959.

President Theodore Wolfe has estimated share earnings for calendar year 1958 at about $2.38, which includes 29c from the rate increase. Last year the company earned $2.39 which, however, included about 18c for nonrecurring dividend income. Excluding the special items in both years, calendar 1958 would show a decrease of 12c compared with last year. President Wolfe expects both kwh. sales and gas sales to show a gain of about 10% next year, so that revenues should also gain 10% or more; with over half of the rate increase effective in 1959, share earnings should improve although no estimate has been released by the company.

Regarding the company's method of reporting earnings, it does not use either the customary credit for interest on construction nor does it avail itself of accelerated depreciation. The Commission allows them to include work in progress in the rate base, hence they would not be allowed to capitalize interest credits. Regarding accelerated depreciation, President Wolfe remarked that "the water is muddy," since some states are now requiring use of the flow through method to give the benefit of tax savings to the consumer.

The stock has been selling recently around 42 and paying $1.80 to yield 4.3%. It sells at 17.7 times estimated 1958 earnings.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Keith D. Vandercook has become affiliated with Hornblower & Weeks, 134 South La Salle Street. Mr. Vandercook formerly was with De Young-Tornga & Co. in Grand Rapids.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Clarence J. Snyder is now connected with Reynolds & Co., 39 South La Salle Street. He was formerly with Lamson Bros. & Co.

Joins Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Hugh T. McCollum has become affiliated with Fusz-Schmelzle & Co., Inc., Boatmen's Bank Building, members of the New York and Midwest Stock Exchanges.

Burdette Co. Formed

LOS ANGELES, Cal.—Burdette & Co. has been formed with offices at 8230 Beverly Boulevard to engage in a securities business. Wayne R. Benzing is a principal of the firm.

Blyth-First Boston Group Underwrite Tucson Gas Offering

The Tucson Gas, Electric Light & Power Co. is offering to the holders of its common stock of record on Nov. 25, 1958 rights to subscribe for 110,000 additional shares at $5 par value common stock. For each 10 shares held, stockholders can subscribe for one new share at a price of $49 a share. Rights will expire at 3:30 p.m. (EST) on Dec. 15, 1958.

An underwriting group headed jointly by Blyth & Co., Inc. and The First Boston Corp. will underwrite the offering to stockholders.

Dividends have been paid in each quarter since the common stock was sold to the public in June 1946; in the calendar year 1958 dividends on the common stock will amount to $1.43 per share; $1.40 was paid in 1957, $1.20 in 1956. A quarterly dividend of 38 cents per share payable Dec. 19, 1958 will not be paid on the 110,000 new shares or on 11,000 shares being offered directly to full-time company employees under an instalment purchase plan.

Net proceeds of this financing will be applied to costs of the company's construction program which calls for expenditures of about $29,300,000 in the three years 1958-60.

Tucson Gas, Electric Light and Power is an operating public utility supplying electricity and natural gas service in the city of Tucson, Ariz. and in the surrounding area. The electric service area has a population of about 219,000, the gas service area, about 197,000.

About 67% of the company's gross revenues come from electric operations, the remainder from gas. In the 12 months ended Sept. 30, 1958 total operating revenues were $17,311,000 and net income applicable to common stock was $2,670,000, or $2.43 per share. In the calendar year 1957 revenues were $15,576,000 and net income after preferred dividends was $2,319,000, equal to $2.26 a share.

New R. J. Buck Branch

MIAMI, Fla.—Richard J. Buck & Co. has opened a branch office at 1041 Kane Concourse, under the management of Herbert Potash and James H. Webb.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — John B. Benson has become associated with Reynolds & Co., 629 Second Avenue, South. He was formerly with Piper, Jaffray & Hopwood.

Marvin Yerke Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Gail E. Deenis has been added to the staff of Marvin C. Yerke and Associates, Inc., 40 West Broad Street.

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The United States and The Problem of Gold

securities market (despite the purchase by the commercial banks of $10 billion of such securities since mid-1957), an unmistakable sign of loss of confidence in the dollar. The rise in the stock market is another symptom of lack of confidence which worries our monetary managers.

(2) Within the last year the United States has lost $2 billion in gold, which has forced the Federal Reserve Banks to purchase an equivalent amount of Government securities.

(3) Foreign demand deposits have now reached a total of $15 billion.

(4) Foreigners now own about $9 billion in American stocks and bonds, the greater part of which can be liquidated against dollars.

As our gold reserves are approximately $20.8 billion, it can be calculated that there are about $8 billion of free gold to cover statutory national gold requirements which amount to $12 billion, without taking into account the $9 billion in stocks and bonds whose possible liquidation represent the greatest danger, from the standpoint which interests us.

If we assume an increase in the national income of 3 to 4% per year, the means of payment will have to increase sufficiently if relatively stable prices are to be maintained or if a tendency towards lower prices is to be avoided. If the United States is unable to increase its gold holdings (our wages and the prices of our finished products are still rising) and even more if it continues to lose some of its gold, it will be necessary in order to expand further our money supply to increase the amount of government bonds held by the banks. If we consider that our people are beginning to distrust the dollar and that they insist on a halt in the rise of the cost of living such a policy will not be an easy matter.

It is true that in the arsenal of American monetary management there are weapons with which to parry partly the dilemma I have just explained. For example: A law could reduce the statutory gold coverage of the Federal Banks' commitments. Also, by a simple decision of the Federal Banks, the percentage of the reserves that the commercial banks are obliged to keep in the Federal Banks, can be reduced. The use of these technical tricks or manipulations—call them what you will—can at best delay the inevitable in the hope of better days. But if the price of gold is not changed, and unless there is a catastrophe in Europe, the chances seem poor for the United States to acquire gold in order to widen sufficiently the gold basis of its monetary system. Thus, it is difficult to see how it is possible over a period of time to:

(a) Sustain the increase of the national income.

(b) Cover in gold up to 25% the currency and the deposits of the Federal Banks.

(c) Maintain the present price of gold in dollars. The full employment policy and the excessive power of labor unions make even more difficult such an accomplishment.

Those considerations also lead many to believe that it will become more and more difficult to secure the approval of the American Congress for foreign handouts. This tendency seems to me all the more likely since the electorate is complaining bitterly of the expenses of government and of the crushing weight of taxes. I am willingly leaving out the matter of loans and aid that the underdeveloped countries are clamoring for while threatening us to turn toward the Russians.

Deplores Inaction

In view of such clear and disquieting facts, there is good cause to ask for the reasons of my country's stay-put attitude. Here are the principal ones:

(1) First of all, there is the inertia and the lack of foresight of our governments. They wait for the events to give us proof of the necessity of acting, in the same manner, by the way, as the Monetary Fund expresses itself in its report on international liquidity.

(2) The necessary conditions for the stoppage of inflation are exactly the same as those for the return of the gold standard.

Yet it is a fact that the individuals in charge of the administration of our fiscal and monetary affairs are almost unanimously in favor of a managed currency, although there is no example in the world to contradict the conviction that the consequences of a managed currency are always disastrous in the end.

Moreover, one should not forget the lack of resistance to spending of parliaments and governments when forced by the demand of a welfare state, as well as by the mystic of the full employment policy and the extraordinary power of the labor unions in the United States.

(3) The most frequently used argument against the change of the price of gold is that it would feed inflation. This argument seems valid to me if we assume that we are unwilling to put an end to inflation and in particular to the monetizing of debt to finance government deficits.

It is constantly reiterated that neither the government nor the people will have the fortitude and the will to end the monetary muddle, and that the masses learn and act only after they have suffered. Reason and good sense revolt against such assertions, but they seem powerless against the forces of evil. Apparently, in the democratic countries with universal suffrage, the masses have the right to kill their liberties with their own hands. In my opinion, this state of affairs comes into being mainly because the politicians, the leaders of industry and the educators fail in their duty and lack in courage.

(4) Most persons will not make the distinction, valid as it is, between the devaluation of a currency and the re-adjustment of the gold value of all currencies whose aim is to re-establish a normal relationship (upset by the inflation caused by a major war) between production of gold and that of commodities.

Even today many responsible individuals insist that the devaluation of the dollar carried out in 1933 was not only useless, but pernicious. At the time, the monetary adviser of the American government was Professor Warren, author with Professor Pierson of a book on gold and prices. Warren and Pierson have erected a theory — as inaccurate as it is discredited—according to which a country can reach any price level that it desires by changing the gold weight of its currency. Presented thus, the theory does not do them justice, but the responsibility for the misunderstanding is largely theirs. Whatever may be about their theory, the fact is that because of its being discredited, other valid theories concerning the influence upon prices due to the relationship between the production of gold and that of commodities, have also been discredited. Yet, Warren and Pierson did call attention to the fact that the correlation between prices, annual gold production and that of commodities, was not longer as close as before 1914. However, they did not, to my knowledge, adopt the above-mentioned explanation according to which our American policy, since 1914, caused the buying power of gold to conform itself to that of the dollar.

Price of Gold and the USSR

(5) According to the experts, Russia's annual gold production is somewhere between $200 and $300 million and their stock of gold is estimated at $3, $4 or even $5 billion. These estimates are used to argue that an increase in the price of gold would benefit the Russians.

First of all, if Russian gold holdings are so high, why did the Soviets recently ask the Americans for credits to purchase American merchandise which they, the Russians, apparently need?

The Soviet magazine "International Affairs," recently published an article by First Deputy President Anastas I. Mikoyan, asserting that the present artificially low price level of gold has been imposed by the United States in disregard of the interests of the countries that have gold to sell.

It is conceivable that the Russians are simply trying to please the gold producers of South Africa. However, Mikoyan's declaration deserves closer study, for the Russians are perfectly aware that one of the principal arguments advanced against the increase in the price of gold, recommended by most of the British monetary experts (Lionel Robbins, Sir Dennis Robertson, Roy Harrod, Dr. William Busschau, etc.) is that such an increase could benefit the Russians.

I submit that it is an open question whether the Russians can break the international currency system by maintaining the present price of gold or by raising it. There are many more cogent reasons to believe that the maintaining of the present price of gold is the great danger to the free society. To a totalitarian country like Russia gold is only a commodity which the entire world is willing to buy. To the free society, split into so many sovereign countries, gold is an indispensable means for political cohesian and for the integration of their economic and monetary systems to permit unhampered multilateral non-discriminatory international trade.

The greatest harm the Russians could inflict on the free society is to buy its gold. It is easy to show that a loss of gold by the free world is deflationary and would play havoc with international liquidity and would therefore hamper international trade. The question may, however, be asked whether the Russians have the wherewithal to purchase gold in the free world. It appears that during the period of massive conventional re-armament the Russians have built a great capacity for producing raw materials and some semi-finished products. Such commodities could be sold to the rest of the world against gold. Besides, should the Russians' fight to penetrate or conquer Southeast Asia succeed, they would become masters of important sources of raw materials badly needed by the free world. Our monetary policy has had the effect of reducing the purchasing power of gold to that of the dollar, and therefore at the present price the Russians could acquire a much larger quantity of gold by selling raw commodities than it would be possible if the price of gold were not arbitrarily maintained by us at a low purchasing power.

In summary, the real danger to the free world is that the Russians may buy our gold and not that they may sell us theirs. Gold renders such an irreplaceable and valuable service to the free world as a basis of its currency system that the advantages the Russians may get from a higher gold price are minor compared with the benefits the free world would derive therefrom.

(6) Those who examine the problem of the price of gold from the viewpoint of international liquidity assert that the countries which are the most in need of it are the least able to profit by it, since their gold reserves are scanty. This assertion seems to me to ignore the fact that the problem of the price of gold concerns the free international community as a whole and fails to recognize the mechanism by which countries acquire their gold.

(7) Lastly, the official position of the American Government is to affirm that the fixity of the ratio between the dollar and gold is a great factor of stability and that consequently one must not tamper with it no matter how valid may be other arguments in favor of a change in the gold value of the dollar. This is simply an argument *"pro domo."*

However, one must take into account American legislative problems. Normally, a law would have to be passed to change the price of gold and this would entail meetings of the specific committees, who would give their opinions only after prolonged hearings. Such a way of proceeding is, however, unthinkable because it would, beyond the shadow of a doubt, start off a sequence of unbridled speculation.

If a little foresight had been used, a law would have been passed, at the time that the Monetary Fund was created, giving the President the power to change the price of gold. But our laws being what they are, the only way in which the price of gold could be changed in an orderly fashion would be to put an embargo on gold. It seems that this should be possible because no gold can be exported from the United States without a license from the government. At any rate, it would be a politically difficult and delicate operation, save if it were the aftermath of a dramatic event such as was the case in 1933 . . . and no one would wish for a repetition of such a catastrophe.

I would like to end my paper with a few remarks.

The responsibility of the United States in the present world monetary situation is the greater as the free world, either inadvertently or deliberately has been put on a dollar-standard. Our individualistic society, however, seems to live under the sign of irresponsibility as far as the general interest is concerned. To be more specific, political men are able to commit, without penalty, errors which have the greatest consequences for their country or for the world; the most that they have at stake is their reputation and, sometimes, their re-election.

Facts being what they are, it seems to me that it is the duty of the leaders of the free countries, whether they are involved in business, in politics, or in education, to provide those in government with their enlightened unselfish counsel. A free society can only survive at the price of constant vigilance on the part of its leaders.

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The Danger of Inflation And a Program to Combat It

all expenditures and appropriations and give its recommendations to the President after careful screening. The purpose of the Committee would be to eliminate wasteful and extravagant appropriations so that the budget could be balanced in average years and some definite portion of our taxes could be used to begin reducing the government debt. If we cannot operate on this kind of fiscal policy during times of prosperity, not much imagination is necessary to visualize the results under adverse conditions. It is to be understood that the President will veto any expenditure not approved by the Committee in addition to his normal veto powers.

This may affect our economy **slightly for a short time**, but as the American people, as well as the rest of the world, see that we are achieving not only a balanced budget, but a permanent fiscal stability, our prestige will rise and our currency will be sought after throughout the world as it has been in the past.

Any temporary adverse effect will be the price we pay for a more permanent stability in the future.

This must be done in a sound and realistic manner that will impress the American people—and the world generally — that we mean what we say and that this policy will continue in future administrations as well as this one. This step will develop a desirable climate for the other necessary steps and give people a greater sense of security in their savings banks, government bonds, insurance policies and investments generally, as well as a feeling of confidence in our future economy.

Favors Saltonstall Resolution

The third necessary step would be the adoption of the Saltonstall Resolution S1738, introduced by Senator Leverett Saltonstall in April of 1957, which requires (among other things) that a minimum of 1% of the income received from Federal taxes each year be applied to the payment of the national debt each year, with reasonable provision for graduated increase in reduction of the debt in future years. This Resolution did not receive sufficient consideration when it was introduced. However, the public is becoming more aware of the problem of inflation and the sentiment is changing rapidly. The thinking in this Resolution is sound, even though some aspects of it may have to be modified.

This would help establish confidence in our fiscal policy and give concrete evidence of at least a minimum of national debt reduction each year. I recognize that this cannot be done for this coming fiscal year and there will obviously be necessary provisions to alter the case in times of extreme emergency. There have been times, because of large military expenditures, when deficits have been a real necessity, but unfortunately we have permitted deficits to become almost an American way of life.

This can and will be our ruination unless it is stopped.

Daily the press warns of the danger of inflation, while business analysts tell us that business is on the upswing and many people are under the delusion that all is well; whereas our anticipated prosperity is due to enlarged government spending programs and the deficit that will have to be financed in the near future, all of which means more inflation.

Emergencies usually rise suddenly — but ours is a creeping emergency that is approaching—and we must make certain that it does not get any nearer.

Now for our goals to be accom-

plished after these steps have been taken.

The positive values and resources of our great country are all too often taken for granted and must be put into proper focus and dramatized to a much greater degree.

We have enough food, great mineral resources and the greatest productive capacity in the world—a know-how envied by the entire world and a military organization second to none. Our capacities have been developed in a relatively short period of years by a well-organized economic system (thanks to the Federal Reserve Bank) that has grown with great rapidity in the last 40 years. Perhaps the very rapid growth of our country and its rapidly expanding economy has given us a false sense of security.

Answer Is Sound Management

All we need is sound management of this economic system without further inflation so that our country will continue to prosper permanently on a sound basis, so that our people will be employed and that our Government Bonds will retain their place as the foremost security anywhere in the world. In short, it would be the new Economic Era many have been hoping for.

We will require a vast educational program led by the government and in which all financial and commercial institutions should participate and which will be spelled out in simple language so that people in all walks of life will have a complete understanding of the purpose and goals of the program. Labor leaders recognizing the value of this program for their people will certainly want to share in these activities so as to protect the savings of the working people in whatever form they may be. We must develop a feeling of confidence in the future. The constant detrimental publicity that so many of our publications have been spreading tends to undermine the confidence of people in our American system.

Vast Public Education Campaign

We need a public relations campaign to awaken the American people to a recognition that our vast resources, our high standard of living, our great opportunities for the average man are all being jeopardized by inflation.

Government leadership can and should inspire the cooperation of financial institutions such as banks, insurance companies, the mortgage banking industry and many other fields of business and industry, together with labor, in combatting the dangers of inflation.

The implementation of this program will require a considerable amount of planning by competent government people, supplemented by finance, industry and labor.

The program outlined here is neither radical nor extreme. Its purpose is for a moderate but consistent reduction of expenditures and a method of fiscal operation that should establish confidence for a long-range program that will give us stability of currency and the high regard for government securities they formerly enjoyed, with particular emphasis on the savings bond program.

Our alternative is more inflation with continued weakening of our currency and later, measures so drastic that our very form of government might be threatened.

We must keep uppermost in our minds the simple fact that without a permanent sound economy we cannot have strong military defense.

Certainly the leadership of the American people has sufficient vision, courage and patriotism to take positive steps to prevent today's creeping emergency from becoming tomorrow's reality.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointment of General Lucius D. Clay as a director of **The Chase Manhattan Bank, New York**, was announced on Nov. 20 by John J. McCloy, Chairman.

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Manufacturers Trust Company, New York, is distributing a new edition of its "Foreign Exchange Quotations" folder. The folder lists current quotations of currencies of 141 countries throughout the world. It also contains two tables showing the decimal equivalent of (a) shillings and pence and (b) common fractions. Manufacturers Trust Company has been publishing this folder at intervals for the past 19 years, the first dated May 1, 1939.

* * *

William H. Moore, Chairman of the Board of **Bankers Trust Company, New York**, announced the appintment of Landon K. Thorne, Jr. as resident representative in Rome, Italy.

Located at 76 Via Bissolati, the office will service the bank's Italian relationships and will also cover Southern Europe and the Middle Eastern area.

The establishment of its first representative office in Rome is part of Bankers Trust Company's plans to enlarge its interests in the international field and the common market area as well as to assist its American and overseas customers in developing their mutual business relationships.

Mr. Thorne previously served with Bankers Trust Company from 1936 through 1940 at its Wall St. Office.

* * *

Directors of **Commercial Bank of North America, New York**, on Nov. 19 voted a year-end extra cash dividend of \$0.25 per share in addition to a semi-annual 2% dividend in stock. The dividend is payable on Dec. 31 to stockholders of record on Dec. 15.

The board also stated its intent to increase the stock dividend in 1959 to 5% in semi-annual payments of 2½%, plus such cash dividends as may be justified by operations, it was announced by Jacob Leichtman, President.

Commercial Bank of North America is the outgrowth of the merger of the **Bank of North America, New York**, into the **Commercial State Bank and Trust Company of New York** in September 1958.

In 1957, Commercial State Bank paid dividends of 4% in stock and, based on presently outstanding stock, \$0.21 in cash.

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A unique idea in the expanding field of Gift Certificates was made public this week by John T. Madden, Chairman of the Board of Trustees of **Emigrant Industrial Savings Bank, New York.**

Mr. Madden said that to his knowledge the Emigrant Bank's Gift Certificate is the first of its kind, at least in the New York Metropolitan area. Although this service becomes available in time to fill a Christmas need, the Emigrant Gift Certificate may be obtained the year round for use on any occasion—graduations, births, birthdays, anniversaries, etc.

The donor obtains an attractive Gift Certificate from the Emigrant Savings Bank which, in turn, is exchanged by the recipient for a savings account passbook in his name. This may be accomplished by mail and the service is available at any of the bank's offices.

Mr. Madden pointed out that a Gift Certificate of this type, in addition to its practicality, encourages thrift and for many recipients it will be their first banking experience.

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Elliott V. Bell announces his resignation as Trustee of the **Dime Savings Bank of Brooklyn, N. Y.**, effective immediately. Mr. Bell was elected to the Board of Trustees of the Dime early in 1950.

Everett J. Livesey, President, announced the election of Hugh G. Johnson as trustee of The Dime Savings Bank. He will fill the vacancy created by the recent death of Albert Hutton.

* * *

Chester A. Allen, President of **Kings County Trust Company, Brooklyn, N. Y.**, announces that, at a recent meeting, the Board of Trustees passed a resolution, indicating its intent to declare a 10% stock dividend.

The resolution recommended that the stockholders at the annual meeting in January authorize an increase in the capital stock of the trust company in order to permit the stock dividend.

* * *

President Edward L. Clifford announced on Nov. 20 that the **Worcester County Trust Company, Worcester, Mass.**, had made application to the Board of Bank Incorporation for permission to establish a second branch in the City of Fitchburg.

Approval of this application will increase the trust company's branches to a total of 14. According to Earl S. Eichin, Vice-President and Manager of the bank's present Fitchburg office, this proposal is evidence of the bank's confidence in the continued growth and development of Northern Worcester County and is in response to numerous requests received from companies and individuals in the area.

Plans call for completion of the building and occupancy of the office during the early summer of 1959.

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Plans to merge **Connecticut Bank & Trust Co., Hartford, Conn.**, and **Manchester Trust Co., Manchester, Conn.**, have been approved by directors of both banks. The merger is subject to approval of stockholders of each bank and Federal and state banking authorities. Stockholders will vote on the proposed merger on Dec. 16.

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George C. Muir, Cashier, and Joseph A. Halbeison, Trust Officer, of the **First Camden National Bank and Trust Company, Camden, N. J.** were elected Vice-Presidents.

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The Federal Reserve Bank of New York announced that **Saddle Brook State Bank**, Saddle Brook, N. J., a newly organized bank which was admitted to membership in the Federal Reserve System on June 2, has officially opened its doors for business on Nov. 20. The capital of the bank is \$150,000, and its surplus, \$250,000.

Officers of the bank are: Fred Woitscheck, Chairman; Irwin W. Silverman, President; Fred S. Walter, Vice-President; James M. Gray, Cashier; Paul E. Hoban, Secretary; Conrad M. Gregorio, Treasurer; Thomas Dineen, Assistant Cashier.

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A. J. Greeough was elected a director of **Girard Trust Corn Exchange Bank, Philadelphia, Pa.**

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Josiah T. S. Horton, new head of the Advertising Division of **Mellon National Bank and Trust Company, Pittsburgh, Pa.**, has been appointed an Assistant Cashier. The announcement was made by Frank R. Denton, Vice-Chairman of the Board.

Mr. Horton's duties include supervision of advertising, public relations, sales training and market research for the bank.

Mr. Horton came with Mellon Bank in 1956 as Assistant Advertising Manager.

Also announced was the appointment of Jeanette R. Oden as Assistant Cashier.

Mrs. Oden came to Mellon Bank in January 1956, and is assigned to the Personnel Division.

Arthur M. Scully, Jr., has been appointed Assistant Secretary of Mellon. Frank R. Denton also announced.

Mr. Scully came to Mellon Bank in September 1953. After working in various divisions of the bank as a trainee, he was assigned to the Estate Planning Division of the Trust Department in November 1957.

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Wilmington Trust Co., Wilmington, Del., elected George P. Edmonds Chairman and Joseph W. Chinn, Jr., President.

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The First National Bank of Gaithersburg, Gaithersburg, Md., with common stock of \$100,000, was merged with and into **The Germantown Bank, Germantown, Md.**, under the charter of the latter and under the title **The Maryland State Bank of Montgomery County**, effective as of Oct. 14.

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The Riggs National Bank of Washington, D. C., with common stock of \$8,000,000; and **The Lincoln National Bank of Washington, Washington, D. C.**, with common stock of \$1,000,000, have merged, effective as of the close of business Nov. 10 The consolidation was effected under the charter and title of **The Riggs National Bank of Washington, D. C.**

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Robert A. Cline, Chairman of the Board of Directors of the **Fifth-Third Union Trust Company, Cincinnati, Ohio**, died Nov. 19. His age was 64.

Mr. Cline was Board Chairman for many years of the former **Lincoln National Bank, Cincinnati**, which was merged with the Fifth-Third Bank in 1955.

* * *

The Bank of Park Ridge, Park Ridge, Ill., will open for business Dec. 5. Capital structure of the Bank of Park Ridge totals half a million dollars — \$250,000 capital, \$150,000 surplus, and \$100,000 reserves. The bank's stock is owned by 315 shareholders, most of whom live in the bank's trading area, making it a locally owned and operated institution.

William E. Cornelius is President of the Bank of Park Ridge and Edward B. Wilkinson is Executive Vice-President. Mr. Wilkinson was an organizer of **United Home Bank & Trust Co., in Mason City, Iowa**, in 1935.

Cashier of the Bank of Park Ridge will be Robert G. James, a banker for 31 years. He had previously been associated with **Continental Illinois National Bank and Trust Co. in Chicago, Ill.**, and with **Warrenville State Bank, Warrenville, Ill.**, where he was Executive Vice-President, Cashier and Director.

Thomas J. Maloney is Vice-President of the new bank, attorney Marshall S. Howard is Secretary and Counsel, and William J. McSweeney, Vice-President, **Central National Bank of Chicago, Ill.**, is Chairman of the Advisory Committee.

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Fred L. Stone, Vice-President, **Harris Trust and Savings Bank, Chicago, Ill.**, has been appointed by Governor Stratton of Illinois to serve on a nine-man state banking advisory committee, which will help shift supervision of state banks from the state Auditor's office on Jan. 1, 1959, to the newly established state Department of Financial Institutions.

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Farmers & Merchants State Bank of Sebewaing, Mich., absorbed **The State Savings Bank of Gagetown, Gagetown, Mich.** A branch was established in the former location of the absorbed bank.

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The American National Bank in Little Falls, Little Falls, Minn., increased its common capital stock from \$100,000 to \$200,000 by a stock dividend, effective Nov. 12. (Number of shares outstanding—10,000 shares, par value \$20.)

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First National Bank of Melbourne, Melbourne, Fla., was granted permission by the office of the Comptroller of the Currency to open a new bank. C. R. Brown is President and Wm. C. Payne is Cashier. The bank has a capital of \$400,000 and a surplus of \$350,000.

* * *

By a stock dividend the common capital stock of **The First National Bank & Trust Company of Vicksburg, Miss.**, was increased from \$300,000 to \$400,000, effective Nov. 14. (Number of shares outstanding—50,000 shares, par value \$8.)

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Payment of the first cash dividend in its 11-year history will be made Dec. 15 by **North Side State Bank, Houston, Texas**, Michel T. Halbouty, Board Chairman, has announced.

Twenty-five cents per share will be paid to stockholders of record as of Dec. 8. Under a new policy established by Halbouty, the bank's stock has been released to customers and to the public with a consequent increase to date in number of stockholders of more than 1000%.

This marks another step in what local financial circles term remarkable progress since Halbouty purchased the bank in February of this year.

In October, the bank increased its capital stock to \$300,000 from \$175,000 by splitting the stock four-for-one, reducing its par value to \$5 from \$20, and making a stock dividend transferral from undivided profits.

Since February, the bank's total capital and surplus have been increased 136%, to \$659,000 from \$375,000. And in the past nine months, the bank's deposits have increased \$1,420,000.

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Alton E. Allen, A. Ames Tuthill, Edward G. Foy, Earl H. Curtis, and Lawrence W. Cox have been elected Vice-Presidents of **Security-First National Bank, Los Angeles, Calif.**

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Bank of America, San Francisco, Calif., announced the election of Dean J. McDowell as Vice-President and Edgar F. Kaiser as a director.

Appointed Co-Manager

DALLAS, Texas — G. I. Jack Vaughn has been appointed co-manager with Stephen E. Case of the Dallas office of Shearson, Hammill & Co., Fidelity Union Life Building.

Bernstein Co. to Admit

PITTSBURGH, Pa. — Bernstein & Co., Frick Building, members of the New York and Pittsburgh Stock Exchanges, on Jan. 1 will admit Robert Kostman to partnership.

To Be Homans Partner

Homans & Co., 65 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Andrew German to partnership.

Theodore H. Wegener

Theo. H. Wegener, President of the Wegener & Daly Corp., Boise, Idaho, passed away on Nov. [illegible]

Railroad Securities

Railroad Mergers Under Discussion

New attention has been brought to the railroads with the recent announcement of discussions being underway looking to the possibility of a merger of the Norfolk & Western and the Virginian Railway. Both of these roads are large bituminous coal carriers and in many respects have a large amount of paralleling mileage.

It is possible much duplicating facilities could be eliminated with consequent savings. These consolidation talks follow only a short time after the statement from five New England roads that they were considering a merger. The latter roads particularly need some methods of reducing operating expenses and to strengthen themselves financially. They have been hurt by high taxes and mounting passenger deficits. Most of them have been operating at a deficit so far this year and this has been a serious drain on cash resources. In addition, they were obliged to absorb a further wage increase on Nov. 1. This will mean a further drain in view of their high terminal expenses.

Studies are continuing on the proposed merger of the Pennsylvania Railroad and the New York Central System. In this case, however, industry observers feel there may be some consolidation of duplicate facilities long before any financial plan can be worked out. At a matter of fact, it is believed that some internal opposition exists against such a union.

Some progress is reported as havings been made in the proposed Great Northern-Northern Pacific merger. In this case also some of the large stockholders do not seem willing to go along at the present time, although a definite plan has not as yet been forthcoming.

Reportedly, Baltimore & Ohio, Western Maryland, Reading and the Central Railroad of New Jersey have had some exploratory talks. Earnings of Central of Jersey are not comparable to the other roads and it is heavily burdened with high cost commutation business. This problem would have to be solved before the other roads would step into the picture.

In the Southeast, the Atlantic Coast Line and the Seaboard Air Line have had preliminary talks. These roads have considerable duplicating mileage and it is believed savings could be large. These two roads have been active competitors for both freight traffic and passenger business. They both have attracted new industries to their territory and have played a large part in the industrialization of the district. Revenues of both of these carriers have grown over the years and the combination of the two would make an even stronger system.

Continued from page 3

Some Lessons of the Recent Recession

ing feature of the recent recession, namely, it has provided us with new evidence that a slump in production under modern conditions need not involve a slump in personal incomes or in consumption.

One of the remarkable developments of the recession of 1953-54, if we may look back to that episode for a moment, was that the income that the American people had at their disposal kept on rising after only a brief pause, thus defying "economic law" as we then knew it. During the recession of 1957-58, the aggregate of personal incomes did not rise. The decline that occurred was, however, extremely small. Between August, 1957 and this April, the dollar volume of the nation's total output fell about 5% and the physical volume fell about 6%. In earlier times personal incomes would have responded decisively to so severe a drop in production over a short period, and a spiraling depression might easily have developed. This time the aggregate of personal incomes after taxes fell only about 1% and the decline was over well before the recession ended.

Most Significant and Promising Development

This loosening of the ties between production and the flow of personal incomes is one of the most significant and promising developments of our time. It has resulted from the more or less automatic workings of certain of our institutions, not from deliberate anti-recession policies of the government. Thus, in the course of the recent recession, corporations generally maintained their dividends at an unchanged rate, as is their custom in the early months of an economic setback. On its part, the Treasury absorbed a considerable part of the decline in both corporate and individual incomes, since the revenues yielded by our income taxes automatically decline as incomes fall. The government also pumped substantial sums into the income stream by increasing unemployment compensation payments and other social security benefits provided by existing legislation. The net effect of these fiscal operations of both the Federal Government and the private business system was to erect a buffer between production and personal incomes. Undistributed corporate profits fell drastically and the Federal deficit piled up, but the aggregate income that individuals had at their disposal changed very little.

The virtual stabilization of personal incomes helped powerfully to maintain consumer spending during the recession. To be sure, if consumers had become uneasy about the future, their spending might have been curtailed sharply. But people remained generally optimistic despite the sharp decline of production and the spread of unemployment. If there were any heroes during the recession, that distinction belongs to ordinary consumers, who went about their affairs without fussing and maintaining a high rate of spending without fanfare. Although consumer spending on automobiles and other durable goods declined, spending on nondurables hardly changed while spending on services actually increased. In the aggregate, consumer expenditures in the first quarter of this year were less than 1% below the peak quarter of 1957. By February retail trade had stabilized and soon began improving. This rise was communicated promptly to wholesalers and to manufacturers. The impulse to reduce inventories therefore abated. By April industrial production and nonagricultural employment reached their lowest level of the recession and the recovery that we are currently experiencing got actively under way. Many factors contributed to the recovery, among them the continued expansion of community improvements by states and localities. But the early upturn of consumer spending was the decisive development, thus repeating what happened in the recovery of 1954.

Let us turn now to a third feature of the recent recession that warrants special notice, namely, the scale and character of Federal intervention. Once again we find that the business cycle was not permitted to run an uninterrupted course, as it did only a generation ago.

True to its obligations under the Employment Act, the Federal Government moved on a wide front to limit the forces of recession and to stimulate the resumption of economic growth. Credit conditions were eased through successive decreases of reserve requirements and of the discount rate. Special measures were adopted to liberalize housing credit. The processing of tax refunds and of loan applications was speeded up. Some tax adjustments were made, principally with a view to aiding the railroads and small businesses. The main emphasis of Federal policy, however, was put on raising expenditures, rather than on monetary, tax, or housekeeping measures. Programs to increase or accelerate expendtiures proliferated —with more for defense, for public works, housing, education, post offices, unemployment compensation, and other programs. The decisions to increase spending were not taken all at once. They came in a long series, spread out over months. When the scheduled expenditures were finally added up, they came to a much larger total than had been planned or advocated by the fiscal authorities of our government.

Viewed as a whole, the actions taken by the Federal Government to stimulate the economy undoubtedly contributed to an early recovery. The monetary and housing measures were especially helpful in checking the recession. Also, the increase of Federal orders aided business sentiment and here and there bolstered private expenditures. Most Federal expenditure programs, however, did not become effective soon enough to be of any appreciable aid during the recession. During the fiscal year which ended this June, Federal expenditures—despite the recession — came very close to the official estimates that had been made before the recession started. On the other hand, in the current fiscal year, which began this July or about two months after the start of recovery, Federal budget expenditures are expected to rise $7.3 billion or 10% over a year ago. Federal cash expenditures—which give a more comprehensive count — are expected to go up $10.8 billion or 13%. In short, we have only recently entered the expanding phase of actual expenditures; and although the private economy is advancing, a sharply rising scale of Federal spending is still ahead of us. This is precisely the condition that responsible advocates of a general tax cut sought to prevent.

Prices During the Recession

I come now to the fourth feature of the recession on which I shall comment, namely, the behavior of wages and prices. Over a long stretch of history, it was typical of the average level of wholesale prices to fall briskly during the declining phase of the business cycle, thereby erasing the advance that normally occurred during the expanding phase. Consumer prices generally behaved in similar fashion, except that their declines were smaller and came somewhat later. In recent times, while the price level has continued to rise during business expansion, it has become increasingly inflexible in times of recession. Indeed, during the recent recession the level of wholesale prices actually rose 1%, while the level of consumer prices rose a little over 2%. Wages have likewise become increasingly unresponsive to recessions. This August the hourly earnings of workers in durable goods manufactures were on the average 3.2% higher than a year ago, when business activity was at its peak. The corresponding gain for workers in nondurable goods manufactures was 2.7%.

The movement of wages and prices during the recent recession constitutes new evidence that, while there may well be pauses in the process of inflation, as in the last few months, the underlying trend of the price level is still upward. The main reasons for this development are familiar. Nowadays trade unions generally have sufficient power to maintain wages during a moderate recession and often even to raise them. This tendency is reinforced by the growing practice of entering into labor agreements that call for wage increases or larger fringe benefits at future dates without regard to the state of employment or profits that may then exist. The rigidity or upward push of wage rates during recessions results in some rigidity or even advance on the part of prices. Quite apart from this, there is an increasing tendency for business firms, especially the larger corporations, to compete on the basis of the type of product, its quality, and the services accompanying its sale, rather than on the basis of price. Although all these processes would undoubtedly be greatly weakened if a recession ever deepend into a protracted depression, it is now the established policy of our government to use its power to counteract, on whatever scale may appear to be necessary, the forces of economic recession.

There are still other respects in which the recent recession has departed from the classical model, but I cannot do justice to this large subject here. My review has been much too brief. I hope that it has nevertheless sufficed to convey, first, that we are continuing as a people to make progress in solving the problem of depression, second, that recession and inflation remain to be reckoned with.

We are still in the early stages of recovery and it is hard therefore to see recent governmental policies in a just perspective. I do believe that in the atmosphere of Sputnik, which ruled toward the end of last year, a move in the direction of larger Federal spending was practically unavoidable. Also, the increased spending in behalf of agriculture this year is largely a consequence of bumper crops and earlier price-support legislation, not of anti-recession policies. These facts must be recognized in interpreting the swollen budget. Moreover, the steps that the government took to check the recession were fought out, as they had to be, in the arena of politics. Every active participant in the making of governmental policy found in necessary to compromise. Some government officials doubtless feel that if their theories had prevailed, the outcome would have been better. So also do many private citizens, especially those who may thunder from the safe retreat of a university. There is little to be gained, however, from imaginary reconstructions of the past. Let us try, instead, to extract what lessons we can from recent experiences, so that we might be better prepared to deal with the problems of the future.

Wants Unemployment Insurance Reform

One important lesson of the recession is that the so-called automatic stabilizers have worked well once again. In view of this accumulating experience, it would be in the national interest to seek practical ways of strengthening them. The most useful step that we can take in the near future is to liberalize our unemployment insurance system.

This year the Congress responded to urgent demands by extending the duration of unemployment benefits. However, this legislation was of a temporary character, it failed to embrace all of the states, and it did not deal with the matter of coverage or the size of benefits. It would hardly be wise to wait for another recession before we again tackle the problem of unemployment insurance. A reform, I think, is long overdue. The benefits provided for insured workers are inadequate in many states. The maximum weekly benefit represents 50% or more of the average weekly wages of insured workers in only six states. The duration of benefits is 26 weeks or longer for all eligible claimants in only seven states. More serious still, about 13 million workers are entirely excluded from protection of unemployment insurance. Now that our economy is once more expanding, we are in a position to proceed deliberately and to carry out permanent improvements in unemployment insurance, not only with a view to mitigating individual hardships, but also with the objective of increasing the resistance of our economy to a future recession.

Once we succeed in devising a system of insurance that is comprehensive in coverage and tolerably suited in its scale of benefits to the needs of the unemployed in a modern economy, we should be in a position to deal with the difficulties of recession in a calmer atmosphere than existed early this year. Our situation would be bettter still if we could devise a politically acceptable means of automatically varying tax rates with the ups and downs of economic activity.

Finds Monetary Policy Effective

A second lesson of recent experience is that monetary and credit policies can be more effective during a recession than is commonly supposed. Many of us seem to have been influenced unduly in our thinking about monetary policy by the events of the 1930s, when excess reserves kept piling up while the economy stagnated. We must not confuse, however, the state of business sentiment at a time of mild recession with the psychology that governs at a time of severe depression. Businessmen and consumers in our country are, normally, optimistic. This state of mind continues ordinarily during a recession, provided its dimensions remain moderate. If, therefore, a substantial easing of credit conditions comes early enough, it may appreciably hasten economic recovery. This positive influence is exerted only in small part through reductions of interest rates. Of greater consequence is the fact that credit becomes more readily available to eager borrowers, that the money supply is increased, that the liquidity of the assets of both business firms and individuals is improved, and that financial markets are stimulated. The effects of easy credit are apt to be felt most promptly by smaller businesses and the homebuilding industry, but they tend to ramify and to permeate the economic system. The increase of some $10 billion in commercial bank investments, which the easing of credit made possible between Sep-

tember, 1957, and this May was, I think, a factor of real significance in speeding economic recovery.

Lag in Fiscal Spending

Another lesson, which the recession has once again taught us, is that government expenditures tend to lag considerably behind plans or decisions to spend. To be sure, some types of increased spending, such as a decision to raise Federal salaries or to pay a bonus to veterans, can be carried out fairly promptly. Most increases in spending programs are not, however, of this character. A decision, for example, to spend more on public works will necessarily involve a sizable lag in actual expenditure. The preparation or final review of construction plans, the acquisition of sites, the development of specifications, the arranging of contracts and subcontracts — all these essential steps are time consuming. Not only that, but once construction work gets under way, it proceeds slowly at the start and some months will normally elapse before a fast pace can be struck. The lags that are involved in modern weapons systems are, of course, still more formidable. Nor does the problem differ in kind, though it may differ appreciably in degree, for programs of education, or foreign aid, or health research.

Still another lesson to bear in mind is that the policies that are undertaken to check recession have consequences which, for better or worse, spill over into later periods. Thus, the Federal spending programs inaugurated during the recession, taken together with the recent behavior of wages and prices, have been a major factor in exciting expectations of inflation which are now spreading dangerously. In these circumstances the Federal Reserve authorities have found it advisable to begin restraining credit expansion at a very early stage of the current recovery. To the extent that the new monetary policy proves effective, it will be chiefly private enterprise and private spending whose expansion is limited. Certainly the scale of Federal expenditure will not be diminished any on account of a tightening that occurs in general credit conditions. Hence, the shift of our economy toward the public sector, which was set in motion during the recession, may continue not only because Federal expenditures are now in a rapidly rising phase, but also because credit restraints have an uneven impact on public and private enterprise.

It may be useful to observe that a tax reduction would avoid some of the difficulties that often go with a public spending program. Both involve, of course, a deficit, but it can make a considerable difference to our economy how the deficit is achieved. A broadly based tax reduction is likely to have prompt effects on private spending during a recession, while the effects of public spending may not come until the recession is over. When public expenditures finally begin rising, they may stimulate the economy when special stimulation is no longer desirable. A concentrated bunching of expenditures, with consequent inflationary fears or pressures, seems less likely to follow a tax reduction. Not only that, but if the tax reduction were designed so as to stimulate investors to replace obsolete plant and equipment, it would release forces tending to improve productivity and to reduce costs at still later times.

I come finally to the gravest lesson of the recession, which is simply that we now have even less reason than before to expect that any substantial part of the advance in the price level which normally occurs during business expansions will be erased during business recessions. But if the average level of prices rises during business expansions, and fails to decline appreciably or even rises further during recessions, then it would seem that we face a trend of prices that over the long run is inescapably upward. This is the judgment of an increasing number of Americans. An inflationary psychology is definitely spreading, and it poses a serious threat to our nation's economic health and progress.

It is precisely for this reason that we must seek solutions both promptly and in a constructive spirit. The suggestion, which keeps recurring, that the way to control inflation is to be less zealous about checking recessions, is a counsel of despair. If we ever attempted to follow it, we would only add to our troubles, both domestically and internationally. Our real need is not to weaken anti-recession policies, but to improve them so that they will be less likely to release inflationary forces. That is the point which I have tried to emphasize. I must add, however, that improvements in our business-cycle policies will not of themselves suffice to curb the inflationary trend. The problem of inflation which we face is of a long-range character, and a comprehensive policy and some major reforms are required to bring inflation under reasonable control.

It will take many minds and much effort to work out the particulars of this policy. The way to start, in my judgment, is to amend the Employment Act so that reasonable stability of the consumer price level will be explicitly included among the high objectives which it is the continuing policy and responsibility of the Federal Government to promote. Such a declaration of moral purpose by the Congress with regard to the price level is the most effective action that can now be taken to arrest the dangerously spreading belief that we are living in an age of inflation. Once that is accomplished, we must go to work not merely on the monetary front, or the fiscal front, or the agricultural front, but on all these and others, without however interfering with the essentials of economic freedom.

Many Other Suggestions

We need to review the patchwork of special legislation that our government has evolved through the years in the form of price supports, import duties, import quotas, wage regulations, stockpiles, and subsidies — all of which tend to raise prices. We need to devise better defenses against monopoly power, whether it crops up in business dealings or in labor relations. We need to establish local productivity councils, composed of civic leaders, business executives, and trade union officials, to spot industrial wastes and promote improvements in efficiency. We need to review our tax laws, with a view to carrying out reforms that may spur the nation's productivity. We need to keep a firmer rein on public expenditures in times of advancing prosperity and develop better budgetary controls over the progress of expenditures. We need to find ways of enhancing the effectiveness of monetary policy in our new economic, financial, and political environment. We need to improve the consistency and co-ordination of economic policy-making within the Federal Government, so that balanced judgment may be brought to bear on both the long-range problem of inflation and any immediate problem of recession or substantial unemployment.

The tasks ahead of us are therefore many and difficult. They present a challenge to citizens generally, not only to economists and government officials. In the future, as in the past, the limits of our achievement as a nation will be determined by public understanding of the need to improve the workings of our economy and by the ability of ordinary citizens to distinguish between sound and unsound policies.

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Some Political Implications of Our Foreign Economic Policy

nate countries to combat the specters of hunger, ignorance, poverty and disease? By comparison how long ago were the first American programs of this sort inaugurated? Mr. Khrushchev often seems to suggest that, along with a great many other things, the Soviet Union really invented economic assistance to other countries.

Sunday, Nov. 16, was the 25th anniversary of the establishment of diplomatic relations between the United States and the Soviet Union. This silver anniversary seems to mark a crescendo of the developing hard line of Soviet policy vis-a-vis the United States. The struggle against capitalist nations, especially our own, continues to be activated and Soviet leadership maintains its efforts on a number of fronts to sow division among the allies of the free world. It is continuously probing and testing whether in the Formosa Strait area, in Berlin, and in the Middle East it may ascertain points of weakness or disunity and push forward relentlessly in quest of increased power.

The United States since the end of World War II has actively helped other countries as well as the peoples of the less developed areas. During the Stalin epoch the Soviet Union showed no interest and perhaps was not in position to do likewise. Perhaps imitation is the finest form of flattery. In any event, during the most recent Khrushchev period the Soviet Union has made the less developed areas the target of a two point massive trade and economic offensive. This is orchestrated by copious references to the rough goals of its most recent seven year plan—boasts of expected ninety million tons of steel annually, 240 million tons of oil, six hundred million tons of coal, 180 million tons of grain and an enormous amount of kilowatts of electric power. Together with its satellites and Communist China, the Soviet Union during a four-year period has extended more than two billion dollars in credits to the less developed countries. In that same period the total trade turn-over of the Sino-Soviet Bloc with other less developed countries has almost doubled reaching a total of one billion seven-hundred million in 1957. The offensive of course has been accompanied by skillfull propaganda, the spread of highly publicized trade agreements, extensive bloc participation in trade fairs, the subsidization of dealers and commercial activities by bloc diplomatic missions. This offensive has been further bolstered by a third element, that of technical assistance. Thus the Soviet Union's educational system, geared to produce a greater number of scientists and engineers, now emphasizes languages and area training to equip them for service abroad. Today nearly 3,000 communist technicians are active in less developed countries and about 2,000 students from those areas are undergoing training in Moscow, Prague and other Soviet bloc centers. We should not underestimate this extensive Soviet offensive which is being brought to bear on the most vulnerable sector of the free world, on peoples who are hungry for food, for progress and for better living conditions at a time when their leadership thirsts for independence and sovereignty.

Economic System These Nations Will Choose

So we face the question what economic system the people of these less developed countries will choose in their revolt against misery and poverty. Will they go in the direction of Communism or in the direction of our own western system of individual liberty? The test may well lie in the question whether they will have the patience to adjust their growth and development to the normal time lag.

We have been responding to this problem in a number of ways. The United States development loan fund has added a whole new dimension to our foreign aid program. The Fund which began operations early this year represents a new hope for the less developed countries. Basically it seeks to meet their problems since it provides financing for projects which are economically sound but which do not meet the strict banking requirements of other sources of capital. It is unique in that borrowers can repay loans in their own currency as well as in dollars. Its operations focus to a large extent on countries with the lowest living standards. Of course it does not make loans when there does not appear to be a reasonable chance of repayment, but it does take greater risks than some financial institutions could afford. It provides a source of free world financing to help these peoples build the productive facilities needed for economic growth: Good harbors, port facilities, railways and dams. As you may know, the Fund started operations last January with an appropriation of $300 million. It received an additional $400 million appropriation last August. During the first six months of its operation it received application for loans totaling about $2¼ billion. It is expected that it will have committed all of its available resources within a few months. No doubt we may expect a still higher level of lending from the Development Loan Fund in such amount as could be spent wisely in the interest of our national security. Of course much of our assistance continues to be extended through such broad multilateral institutions as the International Bank, the International Monetary Fund and the International Finance Corporation. These organizations have the special virtue of drawing on both public and private resources in many countries.

Meeting the Problems of the Americas

Our government has been giving unremitting attention to the economic problems of the Americas. It recently agreed in principle that it would be prepared to participate with the nations of Latin America in a regional development institution if there is adequate support by other member countries.

In the Middle East the United States has offered the prospect of a financial contribution to an Arab Development Institution if it is desired by the Arab nations themselves and they contribute substantially to it and of course provided that the institution is established on a basis of sound management.

We continue the technical assistance programs which the United States initiated years ago both as major projects and through the United Nations and its various specialized agencies. For example, more than 5,000 U. S. technicians are working in these programs.

We recognize that the economic growth of less developed countries depends heavily on the expansion of world trade. In harmony with that recognition a few months ago our Congress took an important step toward that expansion by extending the Reciprocal Trade Agreements Act for a four-year period.

The Department of State believes that new ways to promote American private investment abroad must be found. There is no doubt that we need closer co-operation between our government and private business. Thus a group of distinguished American citizens under the auspices of the Business Advisory Council of the Department of Commerce is conducting a study to ascertain how the government can more effectively enlist the aid of private enterprise in achieving the objectives of our foreign policy.

Red China's Brutality

I would like to refer to a remark which our Secretary of State made at Seattle last week incident to the meeting there of the Colombo Consultative Committee which discussed the important problem of economic progress in South and Southeast Asia. Mr. Dulles, in referring to the fact that we live today in an era when the raising of living standards and the enhancement of the dignity of man are essential to the harmony of nations and enduring peace, discussed the methods now being imposed by the Chinese Communist regime on some 600 million people of the mainland by a backward system of mass slavery called the commune system:

"Under the Chinese 'Commune' system, the human being is sought to be denied individuality and personality. He, or she, is treated as a mere material unit, valued only as a laborer for the state. He loses not only what little property his masters have not already confiscated, he loses his home and he loses his family. In the communes, aggregations of 10 to 40 thousand 'all purpose workers' live in crude dormitories, with men and women largely segregated and children placed in wholesale nurseries. The venerated graves of ancestors, familiar mounds that dotted the peaceful countryside, are everywhere being plowed under. The ancient and rich culture of China, the respected customs and beliefs of its people and the basic values of their family life, are being obliterated in the name of the 'great leap forward' decreed by Peiping."

The brutality of this method should not becloud the fact that the implacable drive for industrialization will have an inevitable impact on Asian and world economy. It is impossible to prophesy at this stage how far this drive may go, but it is a factor to which I think this organization should give increasing study and attention.

Eastern Inv. Corp. Opens

NORTH READING, Mass. — Eastern Investment Corporation has been formed with offices at 213 Main Street to engage in a securities business. Ralph P. Reckis is a principal of the firm.

Forms Jaclen Securities

FOREST HILLS, N. Y.—Jaclen Securities Co. has been formed with offices at 102-35 Sixty-Fourth Road to conduct a securities business. Leonard H. Youdelman is a principal of the firm.

Continued from first page

The Tax Implications Of Investment Abroad

vestment of American funds abroad is preferable to government spending for many reasons. Not the least of which is the fact that such investment assures the most economic use of limited United States resources. The plain truth is that the need for capital by the Free Nations of the world is far larger than the amounts which our taxpayers can reasonably provide. For this reason alone private American capital must be encouraged to go abroad and take upon itself the task of preserving in the world the free system which we earnestly believe deserves to be fostered and preserved.

The foreign aid program is day by day losing favor both at home and abroad. So it becomes even more essential if we are to meet the full thrust of the Soviet economic offensive to create a favorable climate for intelligent and active free enterprise abroad. The socially conscious businessman must, in a sense, supplant the bureaucrat.

The concern of the President of the United States for the Free Nations of the world in this regard was most recently expressed in his address to the Colombo Plan Conference. I was pleased to note the great emphasis that he placed on the necessity for encouraging private United States investment abroad. Considerations such as those underlining the President's address before the Colombo Plan Conference prompted the membership of the Subcommittee on Foreign Trade Policy of the Committee on Ways and Means to announce public hearings on the subject of United States private foreign investment beginning on Dec. 1, 1958, in Washington, D. C.

Foreign Investment Hearings

We felt the need to provide a forum in which the issues involved could be fully discussed by competent witnesses and information accumulated with which to guide possible legislative implementation of the public policies which I have alluded to. In this connection the impact of United States taxation of foreign source income is of the greatest importance, and will be of great interest to the Subcommittee. We of the Subcommittee have come to know as a result of our studies and travels that Foreign Trade Policy cannot be divorced from other aspects of United States Foreign Economic Policy. We have also been impressed with the fact that uppermost in the minds of those considering private foreign investment is the impact of United States tax policy on foreign source income.

Among other things the Subcommittee expects that the December hearings will develop information, views and recommendations with respect to the following types of questions.

- What are the facts about United States foreign investment?
- What are the reasons American capital goes abroad?
- What forms does such investment take?
- What are the effects of such investment on the host country?
- What contributions does such investment make to the development of foreign trade with the United States and other countries?
- What are the effects of such development on the economic development of underdeveloped countries?
- What are the obstacles that stand in the way of new and expanding investment, both here and abroad?
- What are the factors that condition the climate for investment abroad?
- What is the proper concern of the United States Government in this field?
- What types of Governmental programs are appropriate in the light of our national interests?
- What modifications in the tax systems of the United States as well as foreign countries are indicated?
- What has been the effect of existing Governmental programs in this field?

These questions are by no means the only ones pertinent to our hearings. They are merely illustrative of items of specific interest in the foreign investment field. You will agree, I am sure, that this inquiry is needed and that the findings will be helpful.

As a member of the Committee of the Congress which is charged with the primary responsibility of formulating the tax laws of the United States, I am particularly aware of the need for a searching review of our revenue laws as they apply to foreign source income. A most charitable appraisal of the Internal Revenue Code as it applies to such income would find it to be capricious in result, formalistic in impact, and difficult to administer, understand and apply. I know no one who is familiar with taxation who does not believe that thoroughgoing legislative overhaul is long overdue and badly needed not only as a technical matter but as a matter of policy as well. How this can best be undertaken will be one of the chief concerns of my Subcommittee on Foreign Trade Policy.

In considering ways and means to encourage private American investment abroad we must, of course, be mindful of the fiscal condition of the United States. We will begin our hearings in December at a time when the United States is facing a potential $12 billion deficit for the fiscal year 1959. If statements of some Administration officials can be taken at face value, we can expect that there will be proposals during the next Congress for increasing taxes upon some segments of the domestic economy. Further, in light of recent Administration pronouncements, we cannot expect the existing level of Federal expenditures to decline. Reforms here can be made, however, in my opinion without loss of revenue. Over the long pull, there should be substantial gains in revenue from these sources.

Perhaps more important than the facts of Federal fiscal life in appraising the chances for effective implementation of a policy of encouraging private foreign investment is the incomprehensible bias found in many quarters against foreign source income. I do not understand this bias. It arises from a lack of public education, from a lack of understanding. It is not unusual to pick up a newspaper or magazine and find an article on foreign "tax havens." The gist of such stories often lumps a reputable American business with modern-day Al Capones and implies if not fraud at least evasion of United States taxes.

Principle of Territoriality

It is in this context which we must view the possibility of providing needed incentives for the encouragement of foreign private investment. It portends an uphill fight and behooves us, if we have the interest of the United States at heart, to at least begin by considering recommendations which, though they may not go as far as we believe and know to be necessary, have a chance of adoption. There is strong evidence to support the principle of territoriality in taxing foreign source income (which would tax foreign source income only in the country in which is situated the principal establishment to which such income is properly allocable) or at least a rate differential such as the fourteen-point differential considered in connection with the 1954 Code. Nevertheless, it may be necessary in the light of existing conditions for organizations and individuals who are interested in spreading the doctrine of **Free Enterprise** throughout the world to consider all approaches for achieving this end in addition to those which have received prominent attention in the past. In this regard, among other things, I would think it wise for those who have skill and competence in the field of the taxation of foreign source income to direct their attention to the proposal of deferral of United States tax on foreign source income until it is severed for domestic use. This proposal has already received some attention.

You are, of course, aware of the possibilities for the deferral of United States taxes on foreign source income which now exist under the Internal Revenue Code. But, the benefits of such deferrals through the utilization of foreign subsidiaries or foreign base companies are not available except at great price in many instances. The historical development of the statute and the rather fragmentary gloss which has been placed upon it by administrative and judicial interpretation has effectively denied the benefits to many companies.

Discriminatory Laws

Consider, if you will, two companies manufacturing similar products. Company A at great risk embarked upon the unknown of foreign investment in the 1920's. The legal advice then available to it was, by present standards, poor because of lack of experience and interpretations. The attitude of the United States Treasury Department was then certainly far different from now. There were few regulations or rulings to guide it.

Accepting the best advice available, Company A organized its foreign undertaking in the form of a subsidiary incorporated in, say Brazil. The vision of Company A has been rewarded by success. The risks have proved worthwhile. The market was there. The demand for American ingenuity and products was there and Company A has known for some time that similar markets existed in Argentina, Peru, South Africa, and elsewhere. One would think it a simple matter for Company A to transfer a part of its hard-earned foreign source earnings to any one of the countries named and establish a similar successful venture for the ultimate benefit of the United States and the countries involved. We know it is not.

Now take the case of Company B which manufactures a product similar to that of Company A. For years Company B watched the experience of Company A and, convinced of the wisdom of such foreign investment, decided to move into the foreign field in 1953. It established a base company and by utilizing this third country arrangement is developing the markets in, say, Argentina, Peru and South Africa which should be available to Company A as well. Its accumulated earnings and profits in any one of these countries may be transferred without the imposition of United States tax to the subsidiary where they are most needed. Additional benefits accrue to Company B such as the averaging of foreign tax rates for the purpose of achieving the maximum benefit of the United States foreign tax credit. And it may achieve many tax savings on branch or other agency operations because its base company is not subject to United States tax jurisdiction.

Surely if we were proceeding **de novo** no one would support such an inherently unequitable and discriminatory result as exists in the case of Company A. Yet we today condone it by inaction and thus perpetuate precisely this situation. History is responsible for the genesis of the laws which make this result possible, of course, but they seem to be perpetuated by an overdeveloped concern for the bare possibility of tax avoidance in some cases.

Tax Avoidance Issue

I have reference, of course, to the operation of what is today known as Section 367 of the Internal Revenue Code and which began in less difficult times as Section 112 (K) of the Revenue Act of 1932 in a campaign against foreign personal holding companies which were then being utilized for the purpose of avoiding the United States capital gains tax. Section 367, as you know, applies only to exchanges which involve an inherent gain and provides that, in determining the extent to which gain shall be recognized, a foreign corporation shall not be considered as a corporation for purposes of most of the important sections of Subchapter C unless, before any exchange is undertaken, it has been established to the satisfaction of the Secretary or his Delegate that the exchange is not in pursuance of a plan having as one of its principal purposes the avoidance of Federal income tax.

Of course, with tax rates what they are today it is not difficult for the Treasury Department and the Internal Revenue Service to find that a purpose of contemplated exchange is the avoidance of Federal income taxes. Deferral is so deemed. Of course, referring again to the example, Company A has no desire to avoid the payment of United States tax. It simply wishes to compete with equality under United States law with Company B for foreign investment opportunities. This it cannot do because Section 367 has fixed not only Company A but perhaps a majority of the primary companies in the field of foreign investment in the cement of organization inflexibility. Business decisions cannot prevail and are frustrated, efficiency is denied. We are thus confronted with the absurdity of a nation that prides itself in having developed the greatest industrial and commercial complex in the world denying to its entrepreneurs the fruits of their imagination and initiative because of a reluctance to rid the Internal Revenue Code of dead wood.

Even if we were to assume that rare thing which is the Commissioner's approval of an exchange involving a foreign corporation, Company A is by no means out of the woods. Subchapter C of the Internal Revenue Code was framed with domestic business problems in mind. It does not take into account the vagaries of foreign law and the policy of many foreign countries requiring a high percentage of ownership therein. Thus even assuming that Company A can overcome what is almost the irrefutable presumption of Section 367 it may nevertheless find itself unable to invest where investment is needed because of a statute which should have as one of its principal objectives neutrality of impact between similarly situated taxpayers.

It may be that we were unaware of the existence of many of the problems confronting the businessman who wishes to invest abroad when first we framed these provisions of the Internal Revenue Code. This is no longer the case. We have been informed of the existence of the problems and the manner in which the Internal Revenue Code is distorting business decisions and preventing our American system from being carried abroad by our businessmen. We must do something about this situation.

Favors Base Companies

In reflecting upon these problems to which I have so briefly alluded, I have devoted some attention to the possibilities inherent in deferral of United States tax on foreign source income. I have wondered why it is necessary for us to force our businessmen to seek out countries such as Liechtenstein, Monaco and Panama to achieve a business result. I have come to the conclusion that no reason for forcing them to do so exists. It is within our power to provide the means of organizing base companies for the conduct of foreign business operations in the United States itself. We have the example of Canada's 4-K companies and Britain's Overseas Trade Corporations. As a matter of fact we have the example of practically every other trading country in the world before us to follow.

Enactment of a law permitting the creation of a unique class of domestic corporations organized for the conduct of business abroad would achieve a great deal and do much to provide incentives to foreign investment. Such companies would be in a position to utilize the earnings derived from their foreign operations for the expansion of their activities in the free countries of the world without the immediate payment of United States tax and would permit maximum efficiency and economy in conducting foreign business operations. Such corporations would pay United States tax on their foreign source income only when such income was severed from the foreign operation by a distribution to shareholders. Such corporations, and I shall refer to them hereafter as United States base companies for want of a better term, could and should be permitted to carry on all operations now conducted by foreign base companies. I wish to emphasize that exporting activities should in my opinion be included within permissible activities.

Provision for United States base companies would not in my opinion require any change in existing law providing for Western Hemisphere Trade Corporations. Additionally, I see no reason for not permitting any company desiring to do so to continue to operate abroad through a branch operation.

Welcomes Advice and Suggestions

In discussing the possibilities of deferral and of establishing a special class of United States base companies for the purposes of achieving deferral I wish to make it clear that no member of the Subcommittee on Foreign Trade Policy or the Committee on Ways and Means has a fixed mind on the subject of how best to provide the incentive which we all believe necessary to encourage foreign investment. I have merely attempted to explore one or two proposals that have been put forward that seem to me, at this stage, to have considerable merit. If tax policy affords an appropriate device for providing incentive, and I believe that it does, we have an open mind as to how best the tax system can be utilized to provide an incentive. The Committee welcomes advice and suggestions. I have mentioned the possibilities of deferral and the potential benefits of permitting the establishment of United States base companies only because I believe that deferral has been neglected in much of the think-

ing of people concerned with this field.

It is fair to state that the present fiscal condition of the United States should make deferral attractive to those in the executive department who are responsible for securing the revenues with which to meet the government's bills. Deferral involves no loss of United States revenue since by hypothesis every dollar of foreign earnings would be subject to tax when repatriated to the United States and severed from the base operation by distribution to stockholders.

Another reason why deferral and the establishment of a special class of United States base companies should be considered by the Treasury Department lies in the possibilities for better administration which such companies would present to those charged with enforcing the tax laws of the United States. For example, it might be provided that such companies file an annual return setting forth the results of the foreign operation for the year. At present a foreign corporation is under no obligation to inform the United States Treasury of its operation with the result that many problems are encountered in computing the proper amount of accumulated earnings and profits from the foreign operation and the amount of foreign taxes paid and creditable. These costly administrative problems could be avoided.

From the investor's point of view the benefits to be expected from such companies are so obvious that I do not need to catalogue them. Suffice it to say that not the least of them arises from the fact that the stability of United States law would be available and to a degree at least it would no longer be necessary to attempt to divine the law of a foreign country in selecting a base.

If the laws of Liberia, Luxembourg, Tangiers and Liechtenstein pose problems of understanding for the businessman and even for legal specialists, this is understandable. After all, we expect problems when we deal with other languages and peoples of diverse customs and ways of doing business. But the paucity of information available to the American businessman contemplating foreign investment from our own Government about our law is not understandable. The regulations promulgated for the purpose of implementing those provisions of the Internal Revenue Code which provide for the taxation of foreign source income are less than full. This, along with the fact that the Internal Revenue Service has issued few public rulings in the field makes it difficult for even the tax specialist to advise in this area. Here, as perhaps nowhere else, certainty is a prime requisite. It is not fair to expect a businessman to feel his way into a situation which may rob him not only of the fruits of his foreign endeavor but of his domestic profits as well.

I hope, therefore, that some attention will be devoted during the course of our hearings by both Administration and Public witnesses to the possibility of making more information available to the public as to the policies which are guiding the Treasury Department and the Internal Revenue Service in administering these statutes.

Conclusion

It has not been my purpose to exhaust or even to mention all the tax problems confronting those engaged in foreign business activities nor even to touch on the many ways in which the tax system of the United States affects foreign operations. My purpose has been to underscore the seriousness of my belief that something must be done, whether through the tax system or otherwise, to encourage American capital to go abroad and to make the slogan "Trade Not Aid" meaningful. It has also been my intention to convey an awareness of the fact that we in the Congress of the United States know that foreign traders have problems and our sincere desire to do something about them. I would like to impress upon you the necessity of being your own advocate; to let you know that while I appreciate all that has been done by this and other organizations, which exist for the purpose of carrying our way of life abroad, that nevertheless a great deal more has to be done by you, both at home and abroad, to create an understanding of the contributions of American business not only to the United States but to the free world; and that herein lies the world's best answer to Communist Imperialism.

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The Security I Like Best

A. T. & T. — ALLEN

that, with the facilities and personnel available together with the hundreds of millions of dollars being spent, many new products and developments should be forthcoming from A. T. & T.

Because of their capabilities and resources, the government has vested in the American Tel. & Tel. people the responsibility for some of our most important defense work. Western Electric constructed our 3,000 mile Distant Early Warning (DEW) Line in the arctic. Bell Laboratories is a substantial contributor in our Intercontinental Ballistic Missile Program. Western Electric is a major factor in our Nike Missile Defense System. The Sandia Corporation, a Western Electric subsidiary, manages the Sandia Laboratory for the Atomic Energy Commission, which develops, designs and tests atomic weapons. The scope of A. T. & T.'s manufacturing division can be appreciated when one notes that sales of its Western Electric division last year totaled nearly **$2½ billion.** As a matter of fact, A. T. & T. was the fifth largest supplier to the government's military defense program.

Because of A. T. & T.'s vastness, geographically, it is not exposed to the vulnerability of other utilities, where local recessions could cause considerable distress.

It is readily acknowledged that the United States possesses its technological and industrial leadership because of its advanced communications network. A. T. & T.'s Bell system controls about 82% of the 65 million telephones in the United States. All of the other countries of the world combined have only about 58 million telephones.

In addition to supporting its telephone system, A. T. & T.'s Microwave Radio System services 80% of the channels on our television networks, covering 513 TV stations in 348 cities. A. T. & T.'s Microwave Radio System is still in the expansion stage.

Most important of all, the management of A. T. & T. is well aware that the company's common stock has been a very poor medium of investment until recently. Investors could have purchased A. T. & T.'s stock 12 years ago, at $200 per share. Until recently they would have experienced a loss if they had had to dispose of their shares. This has been a poor performance, for the bluest of the blue chips, especially in the light of the substantial rise in securities prices generally, which has taken place in that 12 year period. A. T. & T. has also performed poorly as an income inflation hedge. In the past 12 years a great many utilities have doubled their dividends while A. T. & T. merely maintained its long established $9.00 dividend. Thus, the buyer who purchased A. T. & T. for capital gains would have fared as badly as the investor who purchased this solid blue chip equity for return.

Therefore, it is a challenge to A. T. & T.'s management, which is apparently able to find solutions to more difficult problems, to rectify the poor performance of the company's stock as an investment medium. They can achieve this by taking several steps, such as:

(1) More internal and less external financing.
(2) Securing more aggressively the rate increases to which the company is entitled.
(3) A substantial and continuing cost-cutting program.
(4) Issuing fewer equity shares than heretofore.

In addition to the above, one can look for other favorable forces coming into play. A tremendous part of the postwar expansion program is an accomplished fact and now ought to contribute somewhat to the earnings picture. Too, the vast research program should begin to pay off in continually increasing stages.

Various investment trusts have become aware of the changing picture in A. T. & T. in recent months and have taken positions accordingly. Some of the trusts who have added A. T. & T. and the amounts they have purchased, according to their latest quarterly reports, follow:

	Shares
Investors Mutual	1,900
T. V. Electronics	7,000
Boston Fund	34,000
State Street Investors	6,100
Wellington Fund	7,000
Lazard Fund	25,000

All factors considered, it is the opinion of this writer that the common stock of American Telephone & Telegraph, selling at around $194, is a conservative investment providing little risk, and possessing the potential of a very surprising market performance over the not too distant future.

SPRAGUE ENG. — GHERSEN

tions, are used in checking out fuel systems, hydraulic systems, automatic controls, high and low pressure air systems and refrigeration. Such units are needed at the time of testing new planes or during specified time check-up periods and for general maintenance work.

In connection with company-made test equipment, it is necessary to manufacture special valves and other components that are used in connection with the equipment or for specialized purposes. Miscellaneous equipment made include power units, air boosters,, hydraulic pumps, filters and miscellaneous valves. In addition, the company also makes accumulators which are cylindrical, piston-type used as a source of auxiliary, or small power supply.

The advent of jet-powered commercial aircraft with its more complex structural operating systems require more exacting tests and check-outs. Hence, the use of Sprague-manufactured equipment becomes even more important and indications point to greater numbers of such equipment that will have to be used. Sprague has been making such test and supporting equipment for military jets for several years, thus the transition to its adaption for commercial jet aircraft will be simple.

Much of the company's equipment is transportable on pneumatic-tired trucks so that it can be used freely around air ports or industrial plants. In connection with new commercial jet airliners, the company's ground power supply trucks will find increasing utilization inasmuch as it supplies the air power for automatic starting of jet engines.

Sprague is also active in the design and manufacturing of equipment for operation and testing of missiles. One large console unit is about to be shipped for the Atlas program. Another order has been filled for testing of the Bomarc. Equipment has also been furnished by Sprague for use with Bomarc and many other missiles.

Present back-log of orders amount to approximately $3.5 million which compares to approximately $4.7 million at the end of the company's last fiscal period ending Sept. 30, 1957. The company is actively bidding on new contracts and incoming orders, following a lull in the Fall of last year, are now building up. As government expenditures for aircraft and missile industries accelerate, this company should participate. Inasmuch as the nature of the company's activity is in the manufacturing of test and check-out equipment, orders for such units usually come at the tail end of the development and production programs.

At the present time, it is estimated that approximately 75% of the company's sales are directly or indirectly for the military. The balance of 25% is sold to miscellaneous industries including chemical, oil, utilities, etc. representing commercial applications.

With the introduction of the company's newly-developed refrigeration equipment, it appears highly probable that the commercial business will increase substantially in the future. During the past year, the company has been developing and testing a small, hermetically-sealed compressor designed to operate on direct current from a storage battery. This direct motor-driven unit will be furnished to makers of refrigeration equipment, and it is estimated that these refrigerators and deep-freeze units ranging from 2 to 12 cubic feet will sell between $50 to $250 each. Several of these units have been installed and are now being field tested on dairy trucks, boats and trailers.

The company is very optimistic about the large potential market for these units which would include small dairy and food trucks, trailers, station wagons and boats. Hence, it can readily be adapted for both commercial and leisure time civilian activities. The unit would operate directly off the storage battery of a car or from an auxiliary storage power supply. While further testing is now being conducted, the company feels that it will be ready to market this product in the Spring of 1959.

Inasmuch as this new refrigeration unit is adaptable to mass production methods, the company feels it can handle 100 units a day with present facilities. Should substantially larger production schedules be required, the company has over five acres of land at its present plant site that could be used for necessary expansion.

Of course, there is no way of estimating the potential market for this unit. However, it does not require much imagination to believe that the possibilities are indeed large.

On an average net sales price of $75 per unit, the following earnings per share (after taxes) would be indicated for the assumed profit margins:

Profit Margins

Units	15%	20%
30,000	$ .52	$ .69
50,000	.86	1.15
100,000	1.73	2.30

The company feels that it has full patent coverage on this compressor unit, but this protection has not been tested.

Based upon the company's current operations and foreseeable prospects, the stock appears reasonably priced relative to shares of other similar companies in the market. The current price, therefore, seems to give only modest recognition to the large potential increase in sales and profits that could result from the introduction of the company's new refrigeration product. Assuming minimum expectations for the company's new line and only moderate gains for the company's existing products, earnings by the company for the fiscal year ending Sept. 30, 1960 could amount to between $2 and $2.50 per share.

The management has shown itself to be resourceful and able and is open-minded to consider new acquisitions that would compliment its own activities or to be merged into a larger operation that would provide shareholders with interesting growth opportunities.

On the basis of the foregoing, Sprague Engineering appears to be an attractive situation in its field with the possibility that its sales and earnings over the next two years can rise materially. Hence, the stock offers consideration from the standpoint of capital appreciation possibilities. Cash dividends now being paid at the annual rate of 40 cents per share will likely continue to remain modest in relation to earnings, which is characteristic of growth companies. Stock dividends will probably receive future attention.

Now With Moody Secs.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Clifford B. Nelson has become associated with Moody Securities Co., Woodruff Building. He was formerly with B. C. Christopher & Co. for many years.

Securities Salesman's Corner

By JOHN DUTTON

Use Cooperation to Increase Sales

Healthy competition among the members of a sales organization is a very desirable condition and should be encouraged. But even more important in achieving group success is a spirit of cooperation and working harmony that can be obtained if you can convince all members of your sales team that a policy such as this will work to their ultimate advantage. Here is an example of how working together can create business and develop new clients.

Not Everyone Knows How to Milk a Cow

Here in my town, like many others, we have seen the residential area grow and expand so that some of the property that was considered way out in the country only a few years ago has now become valuable city real estate. About a year ago a friend of one of the salesmen in my office told him that he ought to try and do business with a certain lucky fellow who once owned a large dairy farm and had just sold his land for a tidy several million to a real estate development. Our former dairyman might now be looking for some income paying securities.

After several months of trying for an appointment, this salesman finally met the dairyman and they had a brief visit. He was informed that no securities would be bought by him and that he was going to rely solely upon the advice of a friend who was an officer in one of the commercial banks whom he had known for many years. The interview terminated without much promise of eventual success and, although the salesman tried several times to do business with this prospect, he was constantly rebuffed with the same admonition that all securities should be submitted through the banker friend.

The bank contact which the salesman had was not of the best. He was at a certain competitive disadvantage and it did not look very promising that he could do business through the dairyman's friend at the bank. Despite the apparent attractiveness of the dairyman's account, the salesman was beginning to entertain the idea of giving up on it.

Enter Salesman Number Two

Just about this time a new face entered the picture at the bank. A life-long friend of another salesman in the organization had been hired to fill a vacancy in the investment department. Salesman number two began doing some business with the bank for its own investment account. A review of prospects clearly indicated that salesman number two might be able to do business with the dairyman because he was now doing business with the bank. His friend in the investment department made an appointment for him with the other bank officer and salesman number two found him to be both cordial and cooperative (obviously due to the friendly relationship existing between the other bank officer and the salesman and possibly because the bank was now also a customer of the firm).

Salesman number two received a first time order from the dairyman through the bank and salesman number one turned the account over to him. When he delivered the bonds to his customer, he discovered that he was still much more interested in cows than in bonds. This was made to order for him as he had spent his earlier years on an Arkansas farm. They hit it off together right from the start. They talked cows, farms, feed and milkin' to a point where our salesman was ready to bet a 10 spot he could get more cream out of old bossy in five minutes than his customer could in 10. The account is now active and it looks as if the ice has been broken all around.

What Is in It for Salesman Number One?

The next time there is a similar sales problem, which other men may have prospects will be exchanged and the salesman who gave up this account to a man who was in a better position to secure the business may then be on the receiving end. In the long run, no one loses when prospects are exchanged for a good and valid reason but everyone is better off. The first salesman would have wasted more time, or would have given up, and the business would not have materialized. As it was, he made it possible for one of his associates to obtain the account and the next time there is an opportunity to reciprocate, he will benefit. Meanwhile the firm, the individual salesmen, and yes, even the client, all are better off. You have to know about cows to be able to milk them.

Continued from first page

Dealing with Prosperity

too much laxness in the efficient and economic operation of our businesses. Too often we have acted on the basis of comfortable expediency rather than sound principle. I think this can be said of our whole population, in certain respects.

Time for Self-Discipline

During this entire period, and today more so than ever, our nation has been engaged literally in the greatest struggle of its history for its way of life, indeed for its very survival. This is a time calling for almost heroic self-discipline and maturity, in business, in education, in our national political life and in our international relationships. Much economic good has come to us in the past decade. Fortunately, our excesses during this time have not done us any irreparable damage—as yet.

But two things in particular create concern about our economic behavior. One is the extent to which emotion — psychology—has influenced the course of our economy and intensified the boom-and-bust cycle. The other is our growing inability to handle a relatively new and virulent inflationary force in our economy.

The recent recession provides evidence that we have improved our ability to cope with traditional business cycles by more skillful use of fiscal and credit policies, by the development of various programs that underwrite the income of the American family—by the whole group of so-called built-in economic stabilizers. We have not, however, displayed the capacity to deal with prosperity as well as we deal with adversity.

I am convinced that business can and should do a more effective job in limiting booms and busts. Business itself is just as much prey to psychological forces as is the general public. It has tended in the past to accentuate business cycles by its own excesses of optimism or of fear, by unduly wide fluctuations in its investment and production programs.

Assuming that we are now experiencing a strong economic recovery, what will happen if we in business follow our past behavior patterns? In all probability when recovery is already well under way, a lot of companies will suddenly realize that their present plant is obsolete or their capacity is inadequate. Everybody will start to move at once on costly rush building programs, creating log jams in the building and machine tool businesses and driving costs and prices upward. They will increase their actual spending on those programs as the economy nears a peak, thus forcing a boom and stimulating inflation. Again, many industries will plunge from partial production into all-out overtime production in an attempt to get ahead of the market.

Some of this sort of thing is inevitable in our kind of economy. Seasonal factors, the timing of specific markets or other circumstances affect our ability to resist the pressures of economic cycles.

But a calmer, steadier, more rational outlook on the part of business will help substantially to bring about a sound and gradual recovery, to provide more jobs, and to minimize the pressure toward a new inflationary boom.

It is the hope of many economists that a resurgence in the auto industry will set us firmly on the road back to economic growth and that, in due course, increased capital investment, particularly in modernization of plant and equipment, will pick up the pace of our economy. A substantial increase in capital investment in 1959 is dependent to some degree, however, on an improvement in corporate profits—a point that I will get to momentarily. Certainly it would seem wise for companies in need of modernization and expansion to act now, and not toward the end of 1959, when the current advantages in labor and materials costs may no longer prevail.

I have no doubt that management will make every effort, as conditions improve, to maintain the tight rein on operating costs that the 1958 recession forced upon them.

We Cannot Forget Inflation For a Moment

Improving business practices, however, is child's play compared to the question of our ability to control other urgently serious long-run tendencies in the economy. The fact that at present there may be a temporary lull in the inflationary rat race should not be permitted to take our eyes off what seems to be the most serious single issue confronting the domestic economy.

One of the most ominous notions ever to take hold of the American mind is the widely held theory of the inevitability and even desirability of gradual or creeping inflation. Many people seem to have bought, lock, stock and barrel, the idea that chronic inflation is essential to economic growth.

Of course, no one advocates rapid inflation—they merely suggest that a slow growth of a few percent a year is not really bad. The trouble is that the effects of such inflation are cumulative. They cause great hardship for those with dollar savings and fixed income. Moreover, there is no guarantee that inflation can be held to a slow pace.

There is plenty of evidence today that as people begin to realize what is happening, more and more groups try to protect themselves against it by means that are intrinsically inflationary.

Wage earners with the power to do so begin insisting on escalator clauses and other protective devices that have the effect of reinforcing inflationary pressures. Others feel they have no choice but to become speculators, rather than savers and investors.

If a choice really had to be made between the evils of slow inflation and large-scale unemployment, I'm sure most of us would choose the former. But such a choice does not necessarily have to be made, and if it did, it is doubtful that the alternative of slow inflation would be open to us for very long.

Sooner or later, all of us are going to have to face the fact that inflation is inherently evil. Let us hope that we can learn it sooner by learning the obvious lesson from the limited experience we have already had, rather than later when we are confronted with the harsh reality of runaway inflation.

Actually, inflation serves no one. It first hurts the weak and the poor. It taxes most severely the savings of those who cannot protect themselves—small savers, old people, widows and children living on fixed incomes, school teachers, preachers, and civil servants who have no escalator clauses in hand. Gradually, however, it gets to others in more favorable and flexible circumstances, as the cost of living cancels out the advances in money incomes and as rising prices put a damper first on sales and then on employment. When profits sag too far, industry pulls in its horns and we face a new set of problems. The ultimate consequence of our present course may well be a profit squeeze so severe as to halt our economic progress and undermine the stability of the whole economy.

There has been much talk in the past year or two about the so-called wage-price spiral. Generally, controversy has turned on the question of equity—whether business profits are fair or unfair, whether wage demands are excessive or merely fair and reasonable. I don't want to get into that controversy because I think it is futile. No one on either side of the fence is going to feel that his position is unjust or unreasonable.

I do suggest that all of us can see a trend in our economic life that has most important consequences for all of us—the worker and the housewife just as much as the industrialist.

The Need for Profits

In the past decade, corporate profits have steadily and sharply declined in relation to our Gross National Product. They have been maintained at an annual level of about $17 to $18 billion while the Gross National Product rose from about $260 billion in 1948 to $440 billion in 1957. In that same period, corporate employee compensation increased about 80%—from $90 billion in 1948 to $160 billion in 1957. I have no idea whether the rise in compensation and in actual wage rates is just and fair on an abstract, theoretical basis. But I do think we must ask whether the failure of profits to keep pace with economic growth is healthy for this country and its people. I think it is a question of just as deep concern to the American worker as it is to the industrial manager.

All of the evidence of recent years points not only to a continuation, but to an acceleration of this trend.

Obviously, under our economic system, capital formation and therefore profits play an essential role. They are, in the words of one commentator, the seed corn of our progress.

Our ability to raise living standards, to pay better real wages rests heavily on industry's ability to invest capital in new and improved facilities and tools and in development of both new products and improved manufacturing methods.

We must have capital in order to accelerate the pace of productivity increase. Yet that capital formation is increasingly being hindered by cost increases substantially in excess of productivity.

There should be no doubt in anyone's mind that the great driving force behind industry is the profit motive. The great contribution of industry to social progress has been the creation of the wealth that has made much of that progress possible.

Let's not forget that our present system has brought about the highest levels of real security and social well-being in the history of man. We ought to look hard at how we are living today as against how we were living 30 or 20 years ago or even 10 years ago. We ought to look especially hard at our progress over the past decade. A lot of things which caused depressions and insecurity as far back as the industrial revolution have been eliminated. A lot of new things which make for stability and progress have been added.

I think most Americans would agree that our system is doing amazingly well, and that it can go on working better and better as we understand it better and improve upon it.

Let's remember, too, that our basic social advances have been made possible by a continuous growth of real wealth, spurred by the profit incentive. Let's remember that more and more Americans have a direct stake in the profit system—that a large part of private old-age pensions will be paid out of dividends from stocks held by the pension trust funds.

Unfilled Social Needs

We still have tremendous unfilled social needs. A dwindling but still large number of American families do not earn enough to support a decent American standard of living. Millions of Americans are still crowded into big-city slums. We need more schools and hospitals and more adequate medical care for many of our people. Our facilities for the aged, for the mentally ill, and for combating juvenile delinquency are seriously inadequate.

It takes money—it takes an excess of wealth—to do something really concrete about these social problems. And I believe in all sincerity that the rate of our social progress is directly hinged to the ability of business to create that excess of wealth. That means that business must continue its dynamic growth.

That growth in turn depends upon a growth in profits commensurate with our over-all economic growth. And the evidence is undisputable that at the present time we are moving fast in the opposite direction.

How do we stem this particular accelerating tendency toward inflation and the profit squeeze? I think for one thing, that we should concentrate heavily on helping more people achieve a reasonable understanding of the problem.

Advocates Educational Job

Somehow we must find a way to inform and sell Mr. and Mrs. America on the essential futility and wrongness of the present course of events. That's not easy to do. Many will say: "Look who's talking. You just want to hog it all for yourself." It's not easy because you are in effect asking people to place limits on how far and how fast they can increase their paychecks — not their real income, but the dollars in the pay envelope. That's the tangible thing that tells a fellow he is doing a little better this year than last.

It's a tough educational job because we are dealing with a very powerful and universal human urge—the urge for more. There is nothing wrong with that urge except that it is insatiable. A psy-

chologist has defined man as "a mass of needy protoplasm." Granted the possible spiritual deficiencies of that definition, I think it's a pretty fair description of economic man. We want what we want when we want it, and we want as much of it as we can get, as fast as we can get it. Of course, the process of maturing is largely one of bringing those wants under reasonable control, of recognizing that others, too, have wants and needs. We learn that there is never enough of everything to satisfy everybody. And ultimately we arrive at the idea of sharing—not each according to his wants, because there isn't that much to go around, but each, roughly, according to his productive contribution.

Getting this message across is by no means a hopeless task. The recession has had at least one salutary effect. People are waking up to the facts of inflation. They are beginning to see the effect and to add up two and two. More American working people have learned that there are limits to how far profits can be reduced before industry is forced to stop building and stop producing, and therefore to stop providing jobs and job stability.

More Americans see the relationship between fast-rising wages and rising prices and living costs. They see the relationship between higher prices and sales resistance. They know that lowered sales mean less production and fewer jobs.

They are discovering that, in our economic system, all groups must share in the growth made possible by increasing productivity and by the continual investment of venture capital. They are beginning to be aware that excessive gains by any one group can only lead to everybody sharing more and more of less and less.

Whether that awareness is sufficiently developed to hold in check the insatiable urge for "more" is quite another question. A tremendous educational job remains. And we must hope that those who have the public's ear will participate fully in that job. The problem must be explained, re-explained, and explained still again in terms that everyone can understand.

If we can get this one message across, then I think we can confidently anticipate a return of the United States economy to the path that leads to the golden land of America's dreams—a land of milk and honey, and two Thunderbirds in every garage.

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Current Money Market Developments and Prospects

duce the decline of interest rates in late 1957 and early 1958.

The Forces Which Braked the Decline in Interest Rates

The next question to be considered is what were the forces which braked the decline in interest rates in the first half of the year. Here again the forces were complex and it is easy to oversimplify. One of the most important factors was the shift of funds by institutional investors such as life insurance companies and savings banks away from the corporate bond market to investment in residential mortgages. In effect, through this shift investors took refuge from the precipitate decline in corporate bond yields. Some of these funds went into conventional mortgages but a great deal went into FHA financing. Contrary to the belief of many students of the housing market, easy and readily available credit again stimulated residential construction, which has just reached a seasonally adjusted rate of 1,200,000 starts. Commitments to provide mortgage financing made early this year should keep housing at a high level the rest of this year even though mortgage credit is now tightening. Thus, the shift of capital funds away from the corporate bond market early this year to meet an expanding demand for residential mortgage credit tended to slow the decline in corporate bond yields.

Another basic force which acted to brake the decline of interest rates in the first half of this year was the continuing heavy demand for capital funds by business and industry. The lower interest rates apparently whetted the demand of borrowers who had dropped out of the market as rates rose in the first half of 1957. Moreover, many corporations which had resorted to short-term commercial bank financing during the first half of 1957 in order to avoid the high long-term rates were encouraged by the lower rates to issue long-term debt and to pay off their bank loans. The result was that, despite the business recession the total of new capital issues by corporations in the first half of this year amounted to $5.8 billion, only a little under the very high figure of $6.6 billion in the same period in 1957. As a matter of fact, if the issues of bonds by state and local government units are added to the corporate issues, the total for the first half of this year amounted to $10.3 billion, slightly higher than the $10.1 billion figure for the same period last year.

Still another factor braking the decline in interest rates in the first half of this year was the fact that during 1956 and 1957 institutional investors had built up large backlogs of forward commitments to make industrial and residential loans. These investors were thus in a strong position to resist the low rates which developed this Spring. With the experience of sharply declining rates in 1953-54 and sharply rising rates in 1955-57 fresh in mind, investors were reluctant to purchase securities at low rates which were considered temporary.

One of the forces which undoubtedly slowed the decline in interest rates was the fact that the Treasury did not confine itself to short-term offerings in the first half of this year as had been widely expected. Instead, the Treasury took advantage of the more readily available supply of intermediate- and long-term funds to bring out modest amounts of such issues. The increase in the supply of long-term Treasury bonds was thus a factor in slowing the decline in rates. In addition, as the prices of Government securities rose in the first half of this year, an increased supply of Governments came onto the market as institutional investors took advantage of the chance to sell some of their holdings at smaller losses. In the late Autumn of 1957, of course, prices of Governments had fallen to low levels, but by Spring of this year a strong price recovery had taken place. Thus, losses on sale were not so great a deterrent.

Still another force which braked the decline of rates was the unwillingness of commercial banks to use their free reserves to reach out for long-term Government bonds. In 1953 and 1954, as the Federal Reserve eased credit, the banks had reached out for long Governments and this had been an important factor in the decline in rates at that time. This year, however, the commercial banks tended to limit their purchases of Governments to shorter maturities. Thus, they did not act to depress long-term rates.

Finally, a key force in braking the decline in rates was the realization which grew with investors and borrowers that the Federal Reserve still had a weather eye to the danger that excessively easy credit might set the stage for another inflationary boom. It gradually became apparent in the first half of the year that the Federal Reserve would seek to avoid overdoing credit ease as it did in 1953-54.

The Forces Which Produced the Sudden and Sharp Rise in Interest Rates During the Past Few Months

Let us turn now to the forces which produced the sudden and sharp rise in interest rates during the past few months. There can be little doubt that the factor which touched off the upturn was the bursting of the speculative bubble in the Government securities market. This is a fascinating story which cannot be told adequately here. In early June the Treasury made a cash offering of a little over $1 billion of long-term 3¼% bonds. The amount was set at this figure because advance study indicated that $1 billion of a long bond could be marketed successfully to genuine non-speculative long-term investors. Experience after the offering indicates that this appraisal was correct. However, at the same time the Treasury made a package exchange offering giving holders of maturing securities the option of subscribing to either a 1¼% certificate or an intermediate bond at a 2⅝% rate. Subscription to the intermediate bond issue was a surprisingly high $7.4 billion and undoubtedly much of the issue went to speculators who purchased the bonds on thin margins in the expectation of a "ride." Instead shortly after the issue came out the 2⅝s began to show price weakness and soon precipitated the entire Government bond market into a prolonged price decline. At the core of this decline was, of course, excessive speculation. Thus, the factor which precipitated the rise of interest rates in recent months was the bursting of the speculative bubble in the Government securities market.

However, there were other important reasons contributing to the rise of interest rates. Of basic significance is the continuing heavy demand for capital funds. During the first three quarters of this year the combined new capital issues by corporations and state and local governments units amounted to $14.8 billion as compared with $14.6 billion in the same period last year. Thus, in this year of recession, the combined demand from these two great users of capital funds is greater than the record figures of last year. Moreover, we have, of course, experienced a significant increase in the demand for residential mortgage credit.

In addition, in the last few months more and more confidence has been generated in business recovery. As business conditions have improved and seem destined to improve even further in coming months, the implication is that the demand for capital funds will be well sustained and may even be increased. Moreover, the expectation of continued business recovery suggests a tightening of Federal Reserve policy as the weeks go on.

A major factor in the rise of interest rates since the Summer was the big Federal deficit in this fiscal year, estimated to be close to $14 billion on a cash basis. The shock of this great deficit, and the realization that most of it will probably have to be financed with the commercial banks, undoubtedly laid the basis for a wave of inflationary psychology throughout the country. To some degree, the rise of stock and real estate prices must be explained in terms of this inflation psychology. The importance of this for interest rates is that when investors expect inflation a premium is likely to develop in the rate of interest to compensate for the anticipated decline in the value of money. It is likely that some part of the rise in interest rates in the past few months is attributable to an inflation premium.

Not the least of the factors behind the recent rise of interest rates is the moderate reversal in Federal Reserve policy which began with an increase in the discount rate last August. In addition to rises in the discount rate, the Federal Reserve's target on "free reserves" has been reduced. Here again, however, the important thing is not so much the action which the Federal Reserve has taken but the expectation of what the authorities will be required to do as business recovers.

What Does the Future Hold in Store?

Finally, I would like to conclude by commenting briefly on what the short-run future holds in store for the capital market and interest rates. As events of the past year suggest, crystal ball gazing about interest rate prospects is a hazardous occupation. However, the future seems much more certain than it has been for some time. It is my guess that interest rates are bound to go higher in the next several months. The question to my way of thinking is not so much whether rates will go up, but how much will they rise.

The future of the capital market and interest rates depends, of course, on the outlook for the economy in general. The degree to which we continue to have a recovery of business will determine the demand for capital funds and will condition Government policy affecting interest rates, especially Federal Reserve policy. During the past few months we have been experiencing a fairly rapid business recovery. A key index, the Federal Reserve Board index of industrial production, for example, has risen from a low of 126 last April to 137 in September. Gross national product rose to a seasonally adjusted rate of $440 billion in the third quarter of this year, only $6 billion below the third quarter rate last year. It is my guess that business will continue to recover and that by the first or second quarter of next year the Federal Reserve Board index will have exceeded somewhat the level of 145 it reached in August, 1957. Accordingly, as I look ahead, it appears that there will be a strong underpinning of demand for capital funds.

Under the general economic conditions which I anticipate, it will be necessary for the Federal Reserve to take action to restrict the availability of credit in order to prevent the recovery from developing into a new boom. This should tend toward rising rates.

Moreover, in the months ahead the U. S. Treasury has several more billion dollars of cash to raise in order to finance the Federal deficit. The amount may be somewhat reduced by business recovery and increased tax revenues. Regardless of this, the Treasury is bound to have a several billion dollar job of cash financing in the remainder of this fiscal year, and it is a good guess that some of this financing will be carried out by means of the sale of the long-term bonds to non-bank investors. The actual sale of long-term bonds by the Treasury, along with the expectation of it, is bound to be a factor toward rising rates.

Capital and Market Condition

Accordingly a further increase in interest rates in the next several months seems inevitable. The question then is how much higher will rates go? It is my guess that the rise may not be of large proportions. The reasons for this belief are several. First, I believe that interest rates are considerably higher today than justified by basic economic and capital market conditions. To a degree they have already discounted future developments. Beyond this, we are now already witnessing a decline in the easy availability of residential mortgage financing as funds are shifting back to the corporate bond field in response to higher rates. Consequently, it is likely that, barring a new Federal housing program, the rate of housing starts will soon begin a decline and thus reduce the demand for residential mortgage credit. This, incidentally, would be a brake on the business recovery.

Still another reason why I doubt that rates will "go through the ceiling" as some anticipate is that I am confident that the Administration can deal effectively with inflation psychology which has developed. It is easy for us to underestimate how effectively the Administration, through resisting a tax cut and Federal spending proposals which would have made the deficit even greater, has already moved to combat new inflationary pressures. Likewise, the Federal Reserve deserves great credit for having moved so promptly to offset a new buildup of inflationary forces. I expect that in coming months there will be more evidence of determination upon the part of the Administration and the Congress to combat inflation. Therefore, it seems unlikely that the inflation premium in interest rates will increase in the months ahead.

Finally, as rates rise in coming months, the very rise itself will tend to cut the demand for capital from marginal borrowers in both the business and residential field. This will be especially true of state and local government financing. The rise itself will be self-limiting.

In summary, my crystal ball indicates a further rise of interest rates in the next several months, but the extent of the rise may very well be rather moderate.

Future Planning Appoints Chas. Bauer

The appointment of Charles Bauer to the newly created post of Regional Sales Manager of Future Planning Corporation, 350 Fifth Avenue, New York City, has been announced by Karl D. Pettit Jr., President. Mr. Bauer will be responsible for the establishment and development of additional Future Planning Corp. offices throughout the Metropolitan New York area.

He was previously associated with International News Service as General Sales Manager, and prior thereto he was with United Press Associations as Financial Controller, and with United Features Syndicate and the British United Press.

Spear, Leeds to Admit

Spear, Leeds & Kellogg, 111 Broadway, New York City, members of the New York Stock Exchange, on Dec. 1 will admit Raymond E. Grabowski, member of the New York Stock Exchange, to partnership.

James Lennon Opens Own Hartford Office

HARTFORD, Conn. — James A. Lennon is engaging in a securities business from offices at 750 Main Street. He was formerly with Federated Plans, Inc. of Boston.

K. J. Brown Branch

SHELBYVILLE, Ind. — K. J. Brown & Co., Inc., has opened a branch office in the Methodist Building under the management of Walter Kelley.

Pinsker New York Office

N. Pinsker & Co., Inc. of Hempstead has opened a branch office at 150 Broadway, New York City, under the direction of Edward Moskowitz.

Straus, Blosser Branch

CEDAR LAKE, Ind. — Straus, Blosser & McDowell has opened a branch office at Broadway and Lake Road under the direction of Frank J. Noonan.

Continued from page 5

The State of Trade and Industry

paper observed. It added that "There's nothing like a few orders on the books to restore confidence in the outlook."

This trade weekly added that economic forecasts that 1959 will be a better business year than 1958 could have something to do with the growing confidence of metalworking management.

Another angle to the improvement is that steel users have begun to rebuild their inventories after months of living off the stocks they had on hand when the recession hit. The mills are benefiting from this just as they suffered when inventories were being cut.

This trade magazine also noted that the current recovery in steel is without too much help from oil and gas, construction and the railroads. But these industries should be coming back into the market after the turn of the year. Oil and gas and construction are expected to be strong factors in the steel market in 1959. Orders from railroads may be slower to build up.

"The steel market will bear closer watching from now on," this trade magazine stated. "It's not so much what is happening, but what might happen that could change the complexion of the market."

"The Iron Age," commenting further, declared no one is looking for a real bind in any steel product during the next year: "The mills have done too good a job of beefing up their ingot and finished steel capacity. At the same time there could be temporary periods of tightness as mill delivery promises lengthen."

The metalworking weekly further reported that automakers apparently have pulled out all the stops from now until year-end. Most of them are resorting to overtime to maintain a high level of output. Still, they are playing their steel inventories close to the vest. They are using more steel and taking in more steel than they have been. But they are holding the leash on advance ordering and pressuring the mills for quick delivery when they need it and they usually get it.

As for United States coal exports between now and 1965, the total permanent overseas market for United States coal should level off to the 35,000,000 and 40,000,000 net-ton range, or more than double the pre-1955 volume.

This is the major finding of a special survey conducted by "Coal Age," a McGraw-Hill publication, on the coal import situation in five major European countries which currently account for some 73% of total United States overseas coal trade.

In 1958, exports will hit an estimated 33,000,000 tons, down from last year's record peak of 58,000,000 tons. In 1959, a drop to 34,000,000 tons is likely and by 1960, as current high stockpiles become depleted, a movement back up to 40,000,000 tons is possible, the magazine states.

In the automotive industry last week the availability of 1959 model cars in dealer showrooms was on the rise as production reached a new 1958 peak, "Ward's Automotive Reports" declared on Friday last.

The statistical publication estimated output of automobiles the past week at 141,072 units, or 20% higher than the preceding week's 117,688 units and 13% above the previous high of 125,279 units for the year recorded two weeks ago. Last week's total stands as the best yield since the week ended Dec. 14, 1957 when output reached 145,503 units.

New car dealers, continued "Ward's," will be able to display a complete variety of models and body styles before the end of November. In the first 10 days of the month, they added 45,000 new autos to their inventories, which stood at a two-year low of 380,000 units at the end of October. The 380,000 total included 250,000 1959 models and 130,000 1958 versions.

In striving to supply their sales forces, United States car manufacturers the past week have all 49 of their assembly plants engaged in Saturday work, according to "Ward's." Because of strikes, which subsequently have been settled, both Chrysler Corp. and American Motors failed to get a full day's production out on Monday of last week. Other car manufacturers were assured of six-day operations last week.

Chrysler almost quadrupled the prior week's production effort, which was hampered by an office employee strike. General Motors programmed a 14% boost over the preceding week, American 5%, Ford Motor Co. 3% and Studebaker-Packard 1%. "Ward's" said about one-fourth of the nation's car assembly factories have two shifts in action. The remaining are single-shift operations.

Continued top-level scheduling also was set for truck makers the past week, "Ward's" noted. Volume was forecast at 24,174 units, up 2% over the prior week's 23,697 units and just off the 1958 peak of 24,838 units attained two weeks ago. The only blemish on the truck scene was a strike at International Harvester plants that began Nov. 13 over contract negotiations and has yet to be settled.

New business incorporations rose to the highest level for any month on record in October, according to Dun & Bradstreet, Inc. At 13,633, they were 1.6% higher than the previous high of 13,417 set in March 1955. The October 1958 level was up 5.4% from the 12,932 of the prior month and exceeded the 11,251 of October 1957 by 21.2%.

The number of businesses chartered during the first ten months of this year came to 121,732, the highest ten month aggregate on record. The previous high was 120,238 for the first ten months of 1956. The current cumulative total compared with 116,852 in 1957 for a gain of 4.2%.

Steel Production This Week Estimated at 74.2% of Ingot Capacity

Automakers will step up their production schedules during the final weeks of the year, but steelmakers are not as optimistic as they were a few weeks ago, "Steel" magazine reported on Monday last.

It appears now that the steelmaking rate at 75% of capacity for last week is near its 1958 peak. In October, steelmakers were anticipating a rate of around 85% before the year-end.

Automakers were committed to a lot of steel before strikes over local issues closed their assembly plants. As a result, delayed shipments accumulated at steel plants. One company estimated that finished steel stocks increased by 700,000 tons in October alone.

Any increase in automotive requirements, unless it is unexpectedly sharp, will simply offset seasonal declines in construction steel and tin plate.

Steel mills last week operated furnaces at 75% of capacity, down a half-point from the previous week's rate. Production was about 2,024,000 net tons of steel for ingots and castings. Operations in Detroit at 101.5% of capacity, up five points, led the district rates last week. Others were as follows: St. Louis at 86, up 1.5 points; Wheeling at 85, up 0.5 point; Chicago at 84.5, down 1.5 points; Cincinnati at 83, down 3 points; Western district at 78, no change; Buffalo at 78, no change; Eastern district at 71, up 1 point; Cleveland at 71, up 2 points; Pittsburgh at 68.5, down 1.5 points; Youngstown at 61, down 1 point and Birmingham at 58, up 1.5 points.

New car sales are improving, the metalworking weekly added. Sales averaged 11,740 daily during the first third of November as against 9,775 daily in the like period of October. Automakers call the trend encouraging, but some had hoped for a 15,000 average.

Steel shipments in November will be as good as October's, the magazine continued. Automotive sheets held up for two or three weeks, including scheduled production, are being shipped. Supporting the market are appliance manufacturers and a long list of small consumers. Shipments will probably drop in December.

The publication said steel service centers, that is warehouses, are having a better fourth quarter than they had in 1957. Cold-rolled and galvanized sheets are tight, plates are gaining, and structures are still in the doldrums. Despite the uptrends, 1958 shipments will probably be 25 or 30% below those of 1957.

Fourth-quarter nonferrous business has surpassed expectations, "Steel" disclosed. Free World deliveries of copper to fabricators hit an all-time high in October. Zinc, lead and nickel demand is also strong.

Scrap prices declined last week in a slow market. "Steel's" composite on the prime grades dropped $1.66 a ton to $40.67 as weakness developed in the East and in Pittsburgh. Mills are favoring hot metal at the expense of dealer scrap.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *124.7% of steel capacity for the week beginning Nov. 24, 1958, equivalent to 2,003,000 tons of ingot and steel castings (based on averaged weekly production for 1947-49) as compared with an actual rate of 124.5% of capacity, and 2,000,000 tons a week ago.

Output for the week beginning Nov. 24, 1958 is equal to about 74.2% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 74.1% the week before.

For the like week a month ago the rate was *126.0% and production 2,024,000 tons. A year ago, the actual weekly production was placed at 1,846,000 tons or 114.9%.

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*Index of production is based on average weekly production for 1947-1949.

Electric Output Registered Good Gains the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 22, 1958 was estimated at 12,579,000,000 kwh., according to the Edison Electric Institute. Output improved perceptibly the past week.

For the week ended Nov. 22, 1958 output increased by 201,000,000 kwh. above that of the previous week and 443,000,000 kwh. above that of the comparable 1957 week and 1,140,000,000 kwh. above that of the week ended Nov. 24, 1956.

Car Loadings Dropped 2.2% in the Week Ended Nov. 15

Loadings of revenue freight in the week ended Nov. 15, 1958 were 14,291 cars or 2.2% under the preceding week.

Loadings for the week ended Nov. 15, 1958 totaled 643,795 cars, a decrease of 3,502 cars, or 0.5% below the corresponding 1957 week, and a decrease of 120,103 cars, or 15.7% below the corresponding week in 1956.

Car Output Rose 20% and Truck Assemblies 2% Above Preceding Week Following Settlement of Strikes at Chrysler and Budd Company

Passenger car production for the week ended Nov. 21, 1958, according to "Ward's Automotive Reports," increased by 20% and truck assemblies by 2% with the termination of the walkout at Chrysler Corp. and The Budd Co. plant at Gary, Ind., supplier of underbody components for Rambler.

Last week's car output totaled 141,072 units and compared with 117,688 (revised) in the previous week. The past week's production total of cars and trucks amounted to 165,246 units, or an increase of 23,861 units above that of the previous week's output, states "Ward's."

Last week's car output rose above that of the previous week by 23,384 units, while truck output increased by 477 vehicles during the week. In the corresponding week last year 151,846 cars and 23,605 trucks were assembled.

Last week the agency reported there were 24,174 trucks made in the United States. This compared with 23,697 in the previous week and 23,605 a year ago.

Lumber Shipments Dropped 8.1% Below Output in the Week Ended Nov. 15, 1958

Lumber shipments of 475 reporting mills in the week ended Nov. 15, 1958 were 8.1% below production, according to the "National Lumber Trade Barometer." In the same period new orders were 9.1% below production. Unfilled orders amounted to 32% of stocks. Production was 5.3% below; shipments 7.2% below and new orders were 3.3% above the previous week and 8.0% above the like week in 1957.

Business Failures Continue to Fall in Latest Week

Commercial and industrial failures dipped to 260 in the week ended Nov. 20 from 274 in the preceding week, Dun & Bradstreet, Inc., reports. At the lowest level in ten weeks, casualties fell considerably below the 308 occurring a year ago, although they

remained above the 207 in 1956. Compared with the prewar level, 3% more concerns failed than the 252 in the similar week of 1939.

All of the week's decline was concentrated among failures with liabilities under $5,000, which fell to 31 from 51 in the previous week and were off slightly from the 34 of this size last year. Casualties with liabilities of $5,000 or more edged up to 229 from 223 a week ago, but failed to reach the 274 recorded in the comparable week of 1957. Sixteen of the failing businesses had liabilities in excess of $100,000 as against 29 in the preceding week.

Manufacturing casualties rose moderately to 43 from 41, but declines prevailed in all other industry and trade groups. The toll among retailers fell to 122 from 136, wholesalers to 29 from 31, construction contractors to 39 from 41, and commercial services to 22 from 25. Fewer concerns succumbed than last year in all lines except service where mortality was even with 1957.

Six of the nine major geograp ic regions reported week-to-week decreases. The most noticeable declines occurred in the South Atlantic States, off to 19 from 28 and in the East South Central, down to 6 from 13. In most areas declines were very slight; the Pacific toll stood at 62 as against 67 in the previous week and the East North Central at 34 as against 35. Only the New England and Middle Atlantic States suffered increases during the week, with the total in the latter region edging up to 89 from 85. Mortality exceeded last year's level in the New England and Middle Atlantic States, held steady in the East South Central and Mountain States, but fell below 1957 in the other five regions.

Wholesale Food Price Index Last Week Held at Prior Week's Level

Following four weeks of consecutive increases, the wholesale food price index, compiled by Dun & Bradstreet, Inc., was unchanged on Nov. 18 at $6.38. It was 1.6% higher than the $6.28 of the comparable date last year.

Commodities quoted higher in wholesale cost last week were wheat, corn, oats, cocoa, potatoes and lambs. Lower prices were noted in flour, rye, lard, sugar, eggs, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Rose Slightly In Latest Week

Slight price increases in grains, some livestock, tin and rubber offset declines in steel scrap, flour and cocoa, holding the general commodity price level slightly above that of the prior week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 276.81 on Nov. 17 from 276.66 a week earlier. It compared with 277.33 on the comparable date a year ago.

Although grain trading remained close to that of the prior week, prices moved up fractionally. Wheat receipts in Chicago declined and prices rose somewhat at the end of the week. Both domestic and export buying was sluggish. There was a slight pick-up in purchases of corn with offerings light and prices up fractionally.

Trading in rye was steady leaving prices unchanged from those of a week earlier. Limited supplies curtailed trading in soybeans during the week and prices were sustained at current levels. Interest in soybean meal expanded substantially.

There was a noticeable rise in supplies of flour during the week, and prices were moderately lower. Wholesalers reported a slight dip in flour trading. Prospects of increased export buying held rice prices at prior week levels and domestic transactions continued at a high level.

Cocoa prices advanced appreciably at the beginning of the week, but fell moderately at the close, finishing below those of a week earlier in slack buying. Cocoa bean inventories at the end of the week in New York warehouses amounted to 63,867 bags, compared with 172,386 a year ago.

Sugar trading and prices remained at the level of the prior week. Little change was noted in coffee transactions, and futures prices held close to those of a week earlier.

Chicago wholesalers reported a substantial gain in hog receipts and prices, as a consequence, dipped moderately. Trading was close to that of the prior week. Cattle receipts held at the preceding week's level, but with a falling off in transactions, prices declined a bit. A moderate cut in lamb purchases held prices somewhat under those of a week earlier.

A decline in cotton trading last week brought prices on the New York Cotton Exchange down moderately. The total domestic supply of all cottons for the current crop year was estimated at 20,600,000 bales by the New York Cotton Exchange Service Bureau, the smallest amount since the 1952-53 crop year, when it stood at 18,164,000 bales. United States exports of cotton in the period ended on Tuesday of the past week totaled about 64,000 bales, compared with 54,000 in the prior week and 109,000 in the like week a year ago. Exports for the season through Nov. 11 came to 855,000 bales as against 1,334,000 in the comparable period last year.

Trade Volume in Past Week Rose Slightly Above 1957 Level Despite Unseasonal Weather

Although unseasonably warm and rainy weather held consumer buying in many areas below the prior week, over-all retail trade slightly exceeded that of a year ago. Noticeable gains over last year occurred in the buying of household goods and food products offsetting slight declines in apparel. Purchases of new passenger cars moved up again during t e week and year-to-year declines were narrowed, spot checks show.

The total dollar volume of retail trade in the period ended on Wednesday of the past week was unchanged to 4% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc. reveal. Regional estimates varied from the comparable 1957 levels by the following percentages: South Atlantic States +4 to +8%; West North Central +3 to +7; Mountain and Pacific Coast +1 to +5; New England and East South Central 0 to +4; Middle Atlantic —1 to +3; East North Central and West South Central States —4 to 0%.

Furniture stores recorded marked gains over a year ago in sales of dinette sets, upholstered chairs, occasional furniture and bedding. Increased buying of television sets and automatic dishwashers boosted total volume in major appliances up to comparable year ago levels. While sales of floor coverings and draperies matched those of the similar week last year, interest in linens was down somewhat. Early Christmas shoppers stepped up their buying of gifts, glassware and china during the week.

Volume in women's apparel fell noticeably from the prior week, with slight year-to-year declines prevailing. Best-sellers were sportswear, dresses and fashion accessories, but interest in coats and suits was sluggish. The call for men's clothing fell from both the prior week and a year ago, especially in topcoats and suits. Sales of men's furnishings and sportswear matched comparable year ago levels. There was little change in purchases of children's apparel from last year.

Some early shopping for Thanksgiving helped boost total food sales the past week. Housewives were primarily interested in canned goods, frozen foods and some dairy products. Sales of fresh meat, poultry and baked goods matched those of the prior week.

Over-all wholesale buying of women's apparel equalled that of the comparable week last year. Fill-in orders for Christmas merchandise moved up from the prior week, especially in handbags, jewelry and blouses. Moderate gains occurred in Spring coats and suits. Volume in men's topcoats and suits remained at the level of a week earlier, while the call for furnishings expanded somewhat. Interest in children's winter merchandise was sustained at a high level.

There was a slight rise in the buying of refrigerators, gas ranges, laundry equipment and lighting fixtures last week, but volume remained below a year ago. Interest in television sets and radios was unchanged from the prior week. Purchases of floor coverings and linens were steady, but sales of draperies declined moderately. Increased buying of bedding and occasional tables and chairs helped boost over-all furniture volume at wholesale moderately over that of a week earlier. Wholesalers reported slight year-to-year declines in volume of toys.

Buyers stepped up their orders for cotton gray goods the past week, particularly print cloths and sheetings. Appreciable gains in sales of industrial gray goods occurred during the week. Slight increases in trading in woolens and worsteds were noted and volume in carpet wool matched that of the preceding week. New England dyers and finishers reported an appreciable rise in incoming orders.

A marked increase in purchases of frozen foods occurred during the week, especially in citrus juice concentrates, causing wholesale stocks to be reduced appreciably. The call for fresh produce, fresh meat and dairy products moved up moderately, while interest in rice, flour and sugar was unchanged from the prior week.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 15, 1958 advanced 3% above the like period last year. In the preceding week, Nov. 8, 1958 an increase of 2% was reported. For the four weeks ended Nov. 15, 1958 a gain of 3% was registered. For the period Jan. 1, 1958 to Nov. 15, 1958 no change was recorded from that of the 1957 period.

Retail trade sales volume in New York City last week showed an increase of 3% above that of the similar period a year ago, trade observers estimated.

A change to colder weather late in the week encouraged shopping.

According to the Federal Reserve Board's index, department store sales in New York City for the week ended Nov. 15, 1958 showed a decrease of 2% from that of the like period last year. In the preceding week, Nov. 8, 1958 an increase of 2% was reported. For the four weeks ended Nov. 15, 1958 an increase of 2% was noted. For the period Jan. 1, 1958 to Nov. 15, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

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Treasury Faces Debt Management and Sound Dollar Policies

tem. It is not necessary to explain to this audience that lodging an increased proportion of the Federal debt with the commercial banking system increases the money supply and hence, the purchasing power of the public. The problem facing the Treasury is not just to find the necessary funds but rather to procure them from the right sources.

Thus it becomes clear that the government's financial resources are not unlimited—if we are firm in our determination to maintain the value of the dollar. Every program requiring Federal expenditures should meet the test of whether it serves a useful and necessary purpose in the light of what we can afford. Unfortunately, it seems to be true that expenditure programs once entered into tend to perpetuate themselves.

The Administration has tried to steer a wise course in its expenditure programs; but the Congress at this last session was in a spending mood. With the deficit we are facing and the recovery well under way, let us hope that our citizens will make it known to their representatives in the next session of Congress that they want to see sound fiscal policies pursued.

There are those who state that we should not place budget considerations above what they assert are human values. I have yet to find an example around the world where the lot of the average man has not suffered when unsound fiscal policies have been pursued over any considerable period of time.

Mortgage bankers are entrusted with the investment of a significant portion of the savings of the American people. Savings have built our economy—savings made on the assurance that the value of the dollar would be maintained. Without this assurance, healthy and substantined growth in the American economy would be impossible.

I am sure that in the future, as in the past, you will give full support to the sound policies and programs necessary to our continued success in preserving the integrity of our currency.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date.

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Nov. 30	§74.2	*74.1	75.0	72.1
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 30	§2,003,000	*2,000,000	2,024,000	1,846,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 14	6,567,885	7,003,385	6,892,585	6,831,185
Crude runs to stills—daily average (bbls.)	Nov. 14	¶7,755,000	7,686,000	7,613,000	7,797,000
Gasoline output (bbls.)	Nov. 14	28,095,000	27,654,000	25,991,000	26,853,000
Kerosene output (bbls.)	Nov. 14	2,393,000	2,286,000	2,452,000	2,026,000
Distillate fuel oil output (bbls.)	Nov. 14	12,798,000	12,352,000	12,704,000	12,074,000
Residual fuel oil output (bbls.)	Nov. 14	6,744,000	6,849,000	6,838,000	7,618,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 14	169,309,000	169,210,000	170,361,000	182,478,000
Kerosene (bbls.) at	Nov. 14	32,220,000	32,369,000	31,520,000	33,503,000
Distillate fuel oil (bbls.) at	Nov. 14	164,330,000	165,354,000	161,341,000	171,940,000
Residual fuel oil (bbls.) at	Nov. 14	67,251,000	68,095,000	68,020,000	59,867,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 15	643,795	658,086	695,768	647,297
Revenue freight received from connections (no. of cars)	Nov. 15	554,425	571,850	563,777	569,575
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 20	$243,008,000	$374,316,000	$251,425,000	$332,274,000
Private construction	Nov. 20	119,612,000	123,630,000	103,812,000	165,063,000
Public construction	Nov. 20	123,396,000	250,686,000	147,613,000	167,211,000
State and municipal	Nov. 20	108,890,000	197,415,000	120,849,000	143,624,000
Federal	Nov. 20	14,506,000	53,271,000	26,764,000	23,587,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 15	8,585,000	*8,600,000	8,465,000	9,147,000
Pennsylvania anthracite (tons)	Nov. 15	405,000	419,000	472,000	468,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 15	157	148	146	152
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 22	12,579,000	12,378,000	12,174,000	12,136,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 20	260	274	275	308
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 18	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Nov. 18	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Nov. 18	$41.17	$42.33	$42.83	$32.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 19	28.650c	28.625c	27.150c	26.425c
Export refinery at	Nov. 19	29.300c	30.550c	29.400c	23.150c
Lead (New York) at	Nov. 19	13.000c	13.000c	13.000c	13.500c
Lead (St. Louis) at	Nov. 19	12.800c	12.800c	12.800c	13.300c
‡Zinc (delivered) at	Nov. 19	12.000c	12.000c	11.500c	10.500c
Zinc (East St. Louis) at	Nov. 19	11.500c	11.500c	11.000c	10.000c
Aluminum (primary pig. 99%) at	Nov. 19	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Nov. 19	99.500c	99.250c	96.000c	89.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 25	89.23	88.57	88.02	91.09
Average corporate	Nov. 25	90.48	90.20	90.06	89.09
Aaa	Nov. 25	95.01	94.71	94.56	95.77
Aa	Nov. 25	93.23	92.93	93.08	91.77
A	Nov. 25	90.06	89.92	89.64	88.95
Baa	Nov. 25	84.17	84.04	83.40	81.05
Railroad Group	Nov. 25	88.13	87.86	88.13	86.38
Public Utilities Group	Nov. 25	90.03	90.34	89.64	89.37
Industrials Group	Nov. 25	92.79	92.64	92.35	91.62
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 25	3.51	3.56	3.61	3.27
Average corporate	Nov. 25	4.38	4.40	4.41	4.48
Aaa	Nov. 25	4.07	4.09	4.10	4.02
Aa	Nov. 25	4.19	4.21	4.20	4.29
A	Nov. 25	4.41	4.42	4.44	4.49
Baa	Nov. 25	4.85	4.86	4.91	5.10
Railroad Group	Nov. 25	4.55	4.57	4.55	4.68
Public Utilities Group	Nov. 25	4.37	4.39	4.44	4.46
Industrials Group	Nov. 25	4.22	4.23	4.25	4.30
MOODY'S COMMODITY INDEX	Nov. 25	395.3	395.3	390.2	386.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 15	284,288	345,836	283,024	240,710
Production (tons)	Nov. 15	313,809	311,196	314,445	290,265
Percentage of activity	Nov. 15	94	93	95	94
Unfilled orders (tons) at end of period	Nov. 15	431,670	460,078	433,785	433,323
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 21	109.69	109.48	108.60	109.76
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 1	3,037,450	2,684,510	2,535,860	1,340,820
Short sales	Nov. 1	606,520	561,150	564,930	358,650
Other sales	Nov. 1	2,346,070	2,194,000	2,077,360	984,480
Total sales	Nov. 1	2,952,590	2,755,150	2,642,290	1,343,130
Other transactions initiated on the floor—					
Total purchases	Nov. 1	784,030	770,620	765,790	269,070
Short sales	Nov. 1	121,900	104,700	38,300	55,600
Other sales	Nov. 1	725,710	756,320	661,200	201,500
Total sales	Nov. 1	847,610	861,020	699,500	257,100
Other transactions initiated off the floor—					
Total purchases	Nov. 1	1,073,690	987,739	872,145	471,192
Short sales	Nov. 1	154,700	181,680	167,950	127,320
Other sales	Nov. 1	956,420	869,100	922,007	390,795
Total sales	Nov. 1	1,111,120	1,050,780	1,089,957	518,115
Total round-lot transactions for account of members—					
Total purchases	Nov. 1	4,895,170	4,442,869	4,173,795	2,081,082
Short sales	Nov. 1	883,120	847,530	771,180	541,570
Other sales	Nov. 1	4,028,200	3,819,420	3,660,567	1,576,775
Total sales	Nov. 1	4,911,320	4,606,950	4,431,747	2,118,345
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Nov. 1	1,686,273	1,553,096	1,604,009	1,264,337
Dollar value	Nov. 1	$76,733,823	$70,838,537	$76,923,218	$52,566,539
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 1	1,720,369	1,672,709	1,639,940	851,266
Customers' short sales	Nov. 1	12,550	10,122	6,105	27,829
Customers' other sales	Nov. 1	1,707,819	1,662,587	1,633,835	823,437
Dollar value	Nov. 1	$77,508,344	$76,078,809	$75,079,964	$36,366,778
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 1	562,320	567,270	546,710	180,480
Short sales	Nov. 1	------	------	------	------
Other sales	Nov. 1	562,320	567,270	546,710	180,480
Round-lot purchases by dealers—					
Number of shares	Nov. 1	532,170	455,820	505,310	591,780
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Nov. 1	1,150,030	1,102,400	905,900	880,800
Other sales	Nov. 1	20,617,120	19,953,420	19,330,320	9,667,900
Total sales	Nov. 1	21,767,150	21,055,820	20,236,220	10,548,700
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 18	119.1	*119.2	118.6	117.8
Farm products	Nov. 18	91.9	*91.2	91.3	92.1
Processed foods	Nov. 18	108.9	*109.7	109.9	105.7
Meats	Nov. 18	102.5	104.8	105.1	90.5
All commodities other than farm and foods	Nov. 18	126.8	*126.8	126.1	125.6

*Revised figure. ¶Includes 1,031,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN TRUCKING ASSOCIATION, INC.—Month of August:			
Intercity general freight transported by 362 carriers (in tons)	4,962,407	4,950,049	5,326,369
AMERICAN ZINC INSTITUTE, INC.—Month of October:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	65,304	63,705	81,492
Shipments (tons of 2,000 pounds)	93,244	77,118	79,333
Stocks at end of period (tons)	210,176	238,116	155,925
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of August (Millions of dollars):			
Manufacturing	$49,500	$49,800	$54,200
Wholesale	12,100	12,100	12,800
Retail	23,900	24,000	24,300
Total	$85,400	$85,900	$91,300
COAL EXPORTS (BUREAU OF MINES)—Month of August:			
U. S. exports of Pennsylvania anthracite (net tons)	164,117	138,626	449,279
To North and Central America (net tons)	123,604	99,631	214,119
To Europe (net tons)	37,441	27,336	212,139
To Asia (net tons)	2,128	10,769	19,579
To South America (net tons)	24	------	3,442
Undesignated	920	890	------
CONSUMER PRICE INDEX — 1947-49 = 100—Month of September:			
All items	123.7	123.7	121.1
Food	120.3	120.7	117.0
Food at home	118.7	119.2	115.5
Cereals and bakery products	133.5	132.9	131.2
Meats, poultry and fish	115.8	117.7	110.3
Dairy products	114.1	113.0	113.1
Fruits and vegetables	120.7	124.9	114.8
Other foods at home	115.2	112.8	115.0
Food away from home (Jan., 1953 = 100)	113.4	113.3	------
Housing	127.9	127.9	126.3
Rent	138.2	138.1	135.7
Gas and electricity	118.0	117.5	113.7
Solid fuels and fuel oil	135.2	133.6	136.8
Housefurnishings	103.6	103.3	104.8
Household operation	132.2	132.1	128.3
Apparel	107.1	106.6	107.3
Men's and boys'	108.3	108.3	109.3
Women's and girls'	99.6	98.5	99.8
Footwear	130.1	130.0	128.1
Other apparel	92.0	91.9	92.3
Transportation	141.3	141.0	135.9
Public	189.8	189.5	181.1
Private	130.4	130.1	125.5
Medical care	146.1	145.0	139.0
Personal care	128.7	128.9	125.1
Reading and recreation	116.6	116.7	113.3
Other goods and services	127.1	127.1	126.7
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of August:			
Death benefits	$222,600,000	$246,800,000	$222,100,000
Matured endowments	50,900,000	55,300,000	55,400,000
Disability payments	9,700,000	10,200,000	*9,600,000
Annuity payments	48,500,000	50,400,000	44,700,000
Surrender values	108,300,000	120,600,000	105,700,000
Policy dividends	97,000,000	106,700,000	87,700,000
Total	$537,600,000	$590,000,000	*$525,200,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of August (000,000's omitted):			
Ordinary	$3,669	$4,033	$3,728
Industrial	548	530	556
Group	869	633	779
Total	$5,086	$5,196	$5,063
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES Month of August (millions of dollars):			
Inventories—			
Durables	$28,143	*$28,311	$31,742
Nondurables	21,310	*21,466	22,461
Total	$49,453	*$49,777	$54,203
Sales	26,394	*26,284	28,638
MONEY IN CIRCULATION—TREASURY DEPT.			
As of Aug. 31 (000's omitted)	$31,371,000	$31,171,000	$31,133,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of October:			
Industrials (125)	3.45	3.54	4.45
Railroads (25)	4.80	4.89	7.82
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.11	4.23	5.17
Banks (15)	4.10	4.15	5.08
Insurance (10)	2.75	2.98	3.74
Average (200)	3.64	3.72	4.68
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of September (in billions):			
Total personal income	$357.5	*$356.1	$351.4
Wage and salary receipts, total	239.1	*238.5	240.2
Commodity producing industries	98.2	*97.7	102.4
Distributing industries	63.5	63.6	64.2
Service industries	33.9	33.8	32.9
Government	43.5	*43.4	40.7
Other labor income	9.2	9.1	9.1
Proprietors and rental income	56.9	*56.6	55.4
Personal interest income and dividends	31.9	31.9	31.8
Total transfer payments	27.2	*26.8	21.5
Less employees' contribution for special insurance	6.8	6.8	6.6
Total nonagricultural income	240.6	*339.2	336.1
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Oct. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$288,000,000	$280,000,000	$275,000,000
Outstanding—			
Total gross public debt	280,211,456	278,475,533	274,067,350
Guaranteed obligations not owned by the Treasury	111,943	108,478	102,705
Total gross public debt and guaranteed obligations	$280,323,400	$278,584,011	$274,170,055
Deduct—other outstanding public debt obligations not subject to debt limitation	426,090	428,269	440,429
Grand total outstanding	$279,897,309	$278,155,742	$273,729,625
Balance face amount of obligations, issuable under above authority	8,102,690	1,844,257	1,270,374
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Oct. 31	$280,323,400	$276,783,745	$274,170,055
General funds balance	4,534,264	5,098,837	4,306,587
Net debt	$275,789,136	$271,684,908	$269,863,468
Computed annual rate	2.647%	2.577%	2.891%

Mutual Funds

By ROBERT R. RICH

TV-Electronics Fund Assets 1,200% Higher in Decade

Television-Electronics Fund, Inc., pioneer mutual fund concentrating investments in the broad field of electronics, closed its first decade of existence with total net assets, number of shareholders and shares outstanding at record levels, Chester D. Tripp, President, told shareholders in the Fund's annual report.

"The Fund has grown, in its initial decade, at a pace and to a size," Mr. Tripp said, "which no other comparable investment medium has matched."

Largest open-end investment company domiciled in Chicago, Television-Electronics Fund was established in that city in May, 1948, and began investment operations shortly thereafter. The first public offering of shares was on Sept. 7, 1948 and the initial public offering price was $9.11 (the stock was split 2-for-1 in January, 1954). Total net assets were $151,889. There were less than 200 shareholders at that time, less than 17,000 shares outstanding and the Fund showed an unrealized profit in its 18 common stock investments of only $1,687.

Ten years later, on Oct. 31, 1958, Mr. Tripp pointed out, the Fund's assets totaled a record $204,702,134, a gain of 1,200%; net asset value per share was $12.75; there were 78,743 shareholders and 16,059,119 shares outstanding. The portfolio held securities of 142 companies and unrealized profit stood at $45,321,279. Further, the report shows, the Fund had paid out more than $22 million to shareholders from realized capital gains and slightly more than $19 million as dividends from investment income, during the decade.

In the past fiscal year, the mutual fund executive noted, the Fund's resources grew from $135.1 million to the $204.7 million reported on Oct. 31, or a gain of 51.5%. Growth was also marked in net asset value per share, which increased from $10.36 on Oct. 31, 1957, to $12.75 at the close of the current fiscal year. This reflected a gain of 28.4%, when adjusted for the 55.1 cents distributed in the first fiscal quarter from realized capital gains. The number of shareholders also rose during the year, from 65,312 to 78,743, and the number of shares outstanding gained, from 13,038,227 to 16,059,119.

At the close of its 10th year, 96% of the Fund's resources were invested in common stocks and convertible securities and only 4% was in cash and equivalent. This portfolio position, Mr. Tripp stated, reflected a substantial shift of emphasis from a year ago "when caution was the watchword and management was trimming sails for the anticipated recession, which materialized, and for which your Fund was prepared."

Major portfolio changes effected during the third quarter of the year, he said, "represented largely a continuation of the more aggressive policy which has dictated investment operations during the past six months." These included new additions of the common stocks of Champion Spark Plug Co. and Perkin-Elmer Corp. and convertible bonds of Fischer & Porter Co. and Ling Electronics, Inc. The Fund also made important additions to existing common stock holdings in Allis-Chalmers Manufacturing Co., General Electric Co., General Motors Corp., General Telephone Corp., Magnavox and Radio Corp. of America. It eliminated its equity holdings of Elox Corp. of Michigan, Litton Industries, Inc., Ryan Aeronautical Co. and Sprague Electric Co. and lightened common stock ownership in Ampex Corp., General Tire & Rubber Co. and Walt Disney Productions.

The Fund executive ended his letter to shareholders on a highly optimistic note, saying:

"The demands of the Space Age . . . will unquestionably accelerate the growth in electronics and nucleonics which management has already anticipated in the decade ahead. There is evidence on hand, even outside the military sector, that electronics production is entering a new and more dramatic era of growth than has already been experienced. . . . Electronics, in short, has opened a vista of, thus far, unlimited opportunity. We see nothing on the horizon today that diminishes its potential in the foreseeable future."

With Mc Kee & Jaeckels

(Special to THE FINANCIAL CHRONICLE)

APPLETON, Wis.—Granville O. Benson has become connected with McKee & Jaeckels, Inc., Irving Zuelke Building. He was formerly with the Marshall Company.

Missiles-Jets Up 7.4% in Share Value

The Missiles-Jets & Automation Fund, Inc. reports that net asset value per share rose 7.4% to $9.83 in the first fiscal quarter ending Oct. 31, 1958.

This mutual fund, which is distributed by the New York investment banking firm of Ira Haupt & Co., invests primarily in securities of companies actively engaged in the missiles, jet and automation fields.

The fund recently added common shares of Olin Mathieson Chemical Corporation to its portfolio.

National's Funds at New High Levels

Combined assets, shareowners and shares outstanding of the National Securities Series of mutual funds rose to record levels during the period ended. Oct. 31 according to the Semi-Annual Report released by National Securities & Research Corporation, sponsor and manager of the funds.

Reflecting new sales and market appreciation, the report shows total net assets advanced more than $79,000,000 from $308,083,066 on April 30, 1958 to $387,678,605 on Oct. 31. Since that date, National Securities & Research Corporation has announced that assets have crossed the $400,000,000 mark.

The investment company reported an increase in shareowners from 158,205 on April 30 to 165,725 on Oct. 31. During the same period, shares outstanding rose from 61,410,000 to 65,357,176. More than 54,000 National shareowners are reinvesting all distributions into additional shares and the report comments, "Over the years, this can add substantially to their accumulation of shares and thus, increase their source of future income."

Net realized gain on the funds' investments totaled $7,447,323 after provision for tax reserves. In addition, unrealized appreciation increased by $52,220,263.

Per share net asset value for each of the seven National Securities Series funds at the beginning and the end of the six month period covered in the report are shown below:

Series—	April 30, 1958	Oct. 31, 1958	Percent Increase
Growth Stocks	$5.43	$6.70	23.4%
Dividend	3.26	3.94	20.9
Stock	6.69	8.03	20.0
Income	5.17	5.88	13.7
Preferred stock	7.35	7.89	7.3
Bond	5.45	5.81	6.6
Balanced	10.12	10.58	4.5

T. Rowe Price's Net Asset Value Up 24.2%

T. Rowe Price Growth Stock Fund, Inc. reported that total assets increased to $14,121,737 on Sept. 30, 1958, from $9,436,114 on Dec. 31, 1957. During the first nine months of 1958, net asset value per share increased 24.2% from $27.67 to $34.38. During this period 893 new stockholders subscribed to Fund shares.

In his report, Mr. Price noted the business recovery which has taken place since April of 1958. "Since then industrial production as measured by the Federal Reserve Board Index has recovered from 126 to 137, or more than half of the decline which had taken place from the previous high of 147. The sharp recovery to date, he said, has resulted from strong consumer demand, cessation of inventory liquidation, increase in manufacturers' new orders, higher government spending and especially a sharp increase in home building and public construction. The outlook for the fourth quarter appears bright. With regard to the automobile industry which has been the chief drag on recovery, however, it's still too soon to tell how well the public will accept the 1959 models.

"The prevailing confidence that business will recover to new highs in 1959, and the inflationary-minded public have forced common stock averages to a new all-time high. Representative stock indices are now over 18 times estimated 1958 earnings — the highest price/earnings ratio since 1929. They are selling at 14 to 15 times previous peak earnings. The popularity of growth stocks has forced prices of many favorite issues to excessive heights.

"Under the circumstances, prices seem to be discounting an optimistic projection of earnings several years hence. Consequently, we consider it prudent to continue the conservative investment policy of keeping a substantial portion of the portfolio in higher yielding bonds and other dollar obligations."

Expects Domestic Energy Needs to Double by 1970

In its 1958 Annual Report to shareholders, Energy Fund, an open-end investment company specializing in investments in the energy industries and companies, estimates that by 1970, the U. S. will be drawing, from all sources, more than double the energy it now uses and world energy consumption will have more than tripled by 1975.

In the next ten years, demand for oil is expected to increase 63%, and for natural gas, 75%.

Production capability of the electric utility industry has doubled in the last seven years and is expected to quadruple in the next twenty.

Coal, which currently provides 50% of our energy supply, is expected, by 1965, to provide 60% of our energy.

By 2050, it is expected, increased employment of energy will enable a man to produce as much in one seven-hour day as today's worker can during a 40-hour week!

The Energy Fund report summarizes that the existence of huge energy-hungry areas of the world plus the dependence of the modern economy on energy and the dynamic nature of this economy on energy combine to indicate bright futures for the large, highly specialized group of companies, whose sales growth and profit growth are solidly built on the requirements of our "high energy civilization."

In his message to shareholders, Mr. Ralph E. Samuel, President, stated that it seems quite clear to the officers and directors of the Energy Fund that the growth in the use of energy will continue at a faster pace than the expansion of the economy as a whole. And this abnormal growth, together with the economy's improvement, should bring about better prices as time goes on for equities generally and for "energy equities" in particular. And to these factors, of course, should be added the thought I mentioned earlier—namely, that widespread belief in the inevitability of nominal year-to-year inflation is going to mean that a larger and larger share of the investor's capital will find its way into common stocks. All of these factors lead us to the firm conclusion that regardless of the market's temporary vagaries, investment in carefully, selected companies in the energy field should prove satisfactorily rewarding as time goes on.

At Sept. 30, 1958, Energy Fund investments in the energy field were diversified as follows: Oil and Gas, 29.8%; Utilities-Electric, 13.6%; Utilities-Gas, 2.3%; Nuclear and Conventional Generating Apparatus, 7.4%; Nuclear Reactor Design and Construction, 3.4%; Control and Utilization of Energy, 16.7%; Copper and Nickel, 4.7%; Uranium, 1.8%; Coal and Mining Equipment, 12.5%; Specialty Metals, 6.3%.

Largest Energy Fund holdings at Sept. 30, 1958, were Royal Dutch Petroleum, Tampa Electric and Philadelphia and Reading.

Energy Fund Reports Net Assets

	9, 30, '58	9, 30, '57
Net assets per sh.	$157.59	[illegible]
Total net assets	$4.808,765	$3,947,532
Invest inc. div.	$2.45	$1.94
Cap. gains distrib.	$3.55	$5.91
Shares outstand'g	30,514	28,010

John A. Dawson Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Irene R. Stopa has been added to the staff of John A. Dawson & Co., 1 North La Salle Street, members of the Midwest Stock Exchange.

With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Hyman L. Kaplan is now with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Admiral Benbow Inn, Inc., Memphis, Tenn.
Nov. 5 (letter of notification) 100,000 shares of common stock (no par). **Price**—$2.50 per share. **Proceeds**—For operating a restaurant. **Underwriter**—James N. Reddock & Co., Memphis, Tenn.

Ambassador Oil Corp., Fort Worth, Tex. (12/4)
Nov. 12 filed 705,000 shares of common stock (par $1), of which 5,000 shares are to be offered for sale to company employees. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

American Art Metals Co. (12/9)
Nov. 10 filed $1,250,000 of 6% convertible debentures due 1968. **Price**—To be supplied by amendment. **Proceeds**—$156,500 to retire outstanding notes; $145,500 to retire the presently outstanding 6% cumulative preferred stock; for construction of plant, and acquisition of equipment and relocation of facilities; and for working capital. **Business**—A manufacturer of aluminum entrances and store fronts from aluminum extrusions. **Office**—433 Highland Ave., N. E., Atlanta, Ga. **Underwriters**—The Johnson, Lane, Space Corp., Atlanta and Savannah, Ga.; W. E. Hutton & Co., New York; and J. H. Hilsman & Co., Inc., Atlanta, Ga.

★ American Asiatic Oil Corp.
Nov. 24 filed 100,000,000 shares of capital stock. **Price**—Two cents per share. **Proceeds**—To selling stockholders. **Office**—Magsaysay Building, San Luis, Ermita, Manila, Republic of Philippines. **Underwriter** — Gaberman & Hagedorn, Inc., Manila, Republic of Philippines.

American Bowling Equipment Corp.
Nov. 10 (letter of notification) 50,000 shares of non-cumulative convertible preferred stock (par $3) and 5,000 shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price**—$31 per unit. **Proceeds**—For purchase of bowling equipment and working capital. **Office**—135 Front St., New York, N. Y. **Underwriter** — York Securities, Inc., 80 Wall St., New York, N. Y.

American Buyers Credit Co.
Nov. 13 filed 5,000,000 shares of common stock, of which 4,545,455 shares of this stock are to be offered for public sale at $1.75 per share. [Shares have been issued or are issuable under agreements with various policy holders in American Buyers Life Insurance Co. and American Life Assurance Co. (both of Phoenix) permitting them to purchase stock at $1.25 per share. Sales personnel have been given the right to purchase stock at $1.25 per share up to the amount of commission they receive on stock sales made by them.] **Proceeds**—For the operation of other branch offices, both in Arizona and in other states. **Office**—2001 East Roosevelt, Phoenix, Ariz. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Enterprise Fund, Inc., New York
Oct. 30 filed 487,897 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Distributor**—Edward A. Viner & Co., Inc., New York.

American Growth Fund, Inc., Denver, Colo.
Nov. 17 filed 1,000,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Office**—800 Security Building, Denver, Colo. **Underwriter**—American Growth Fund Sponsors, Inc., 800 Security Bldg., Denver 2, Colo.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive Silver Spring, Md., is President.

American Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York. **Change in Name**—Formerly United States Telemail Service, Inc.

• Anheuser-Busch, Inc. (12/10)
Nov. 14 filed 100,000 shares of common stock (par $4). **Price**—To be supplied by amendment. **Proceeds**—To the Estate of Alice Busch. **Underwriters**—Newhard, Cook & Co.; Reinholdt & Gardner; Stifel, Nicolaus & Co., Inc.; and Scherck, Richter Co.; all of St. Louis, Mo.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30, 1957, filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

★ Aqua-Shine Corp. (dba American Silicone Co.)
Nov. 12 (letter of notification) 12,000 shares of common stock to be offered for subscription to a selected clientele. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—3740 South Jason St., Englewood, Colo. **Underwriter**—None.

• Arvida Corp., Miami, Fla. (12/3-4)
Oct. 28 filed 2,500,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment (expected to be approximately $11 per share). **Proceeds**—Together with other funds, will be used for development of the company's properties and for working capital. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Dominick & Dominick, both of New York.

★ Associated Bowling Centers, Inc.
Nov. 24 filed 300,000 shares of 20-cent cumulative convertible preferred stock (par one cent) and 50,000 outstanding shares of common stock (par one cent). The preferred shares are to be offered for public sale for the account of the company and the common shares will be offered for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To acquire new bowling centers and increase working capital (part to be used in defraying cost of acquisition of stock of owner of a Brooklyn (N. Y.) bowling center. **Office**—135 Front St., N. Y. **Underwriter** — To be named by amendment.

Austria (Republic of) (12/3)
Nov. 13 filed $25,000,000 of External Sinking Fund Dollar Bonds due Dec. 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To be added to the Republic's foreign exchange reserves and be used for the continuation of certain capital expenditure programs. **Underwriters**—Kuhn, Loeb & Co., and Ladenburg, Thalmann & Co., both of New York.

Automation Instruments, Inc.
Oct. 7 (letter of notification) $250,000 of 6% 15-year convertible sinking fund debentures to be offered for subscription by stockholders of record Oct. 1, 1958. Unsubscribed shares to public. **Price**—90% of face amount (in denominations of $100, $500 and $1,000 each). **Proceeds**—To retire notes payable to bank and others and for working capital. **Office**—401 E. Green Street, Pasadena, Calif. **Underwriter**—None.

Autosurance Co. of America
Oct. 16 filed 250,000 shares of common stock (par $2.50). **Price**—$5 per share. **Proceeds**—To increase capital and surplus. **Office**—Atlanta, Ga. **Underwriter**—None.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

Bankers Management Corp.
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter**—McDonald, Kaiser & Co., Inc. (formerly McDonald, Holman & Co., Inc.), New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

Bellechasse Mining Corp. Ltd.
Oct. 29 filed 800,000 shares of common stock. **Price**—Related to the market price on the Canadian Stock Exchange, at the time the offering is made. **Proceeds**—To be applied over the balance of 1958 and the next three years as follows: for annual assessment work on the company's properties (other than mining claims in the Mt. Wright area in Quebec); for general prospecting costs; and for general administration expenses. **Office**—Montreal, Canada. **Underwriters**—Nicholas Modinos & Co. (Washington, D. C.) in the United States and by Forget & Forget in Canada.

Belock Instrument Corp. (12/15-18)
Nov. 12 filed $1,000,000 of convertible subordinate debentures due 1973. **Price**—To be supplied by amendment. **Proceeds** — For inventory and operating equipment for manufacture of new products recently developed, and the balance for working capital. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

Biddeford & Saco Water Co.
Nov. 10 (letter of notiifcation) 1,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds** — For improvements and additions to property. **Office**—181 Elm St., Biddeford, Me. **Underwriter**—None.

• Bowl America Corp., Arlington, Va. (12/1-2)
Nov. 10 filed 300,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For acquisition of land, building improvements and working capital. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

Bridgehampton Road Races Corp.
Oct. 23 (letter of notification) 15,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Nov. 1, 1958 on the basis of one new share for each four shares held; unsubscribed shares will be offered to current creditors in payment of all or part of claims, at the rate of one share for each $4 of claims discharged; rights to expire about two weeks after mailing of offer. **Price**—$4 per share. **Proceeds**—To pay current creditors. **Address** — P. O. Box-506, Bridgehampton, L. I., N. Y. **Underwriter**—None.

• Campbell Chibougamau Mines, Ltd. (12/3-4)
Nov. 12 filed $5,000,000 of 6% first mortgage convertible sinking fund bonds. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, and the remainder will be used for corporate purposes, including commencement of development of Henderson ore body. **Office**—55 Yonge St., Toronto, Ontario, Canada. **Underwriters**—Allen & Co., New York, and W. C. Pitfield & Co., Ltd., Montreal, Quebec, Canada.

• Cardinal Instrumentation Corp. (12/9)
Nov. 4 letter of notification) 240,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For payment of notes, capital additions and inventory. **Office**—4201 Redwood Ave., Los Angeles 66, Calif. **Underwriter**—Myron A. Lomasney & Co., New York.

Carolina Telephone & Telegraph Co. (12/5)
Nov. 17 filed 58,773 shares of common capital stock (par $100) to be offered for subscription to stockholders of record Dec. 4, 1958, in the ratio of one new share for each five shares then held; rights to expire on Dec. 29. **Price**—$125 per share. **Proceeds**—To reduce short-term bank loans. **Underwriter**—None.

• Carolina Telephone & Telegraph Co. (12/10)
Nov. 17 filed 65,952 rights to subscribe for common stock (par $100) on a one-for-five basis at $125 per share to be issued to Southern Bell Telephone & Telegraph Co., owner of 22.6% of the outstanding Carolina stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: R. S. Dickson & Co., Kidder, Peabody & Co. **Bids** — Expected to be received up to 11 a.m. (EST) on Dec. 10.

★ Cemex of Arizona, Inc.
Nov. 17 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Address**—P. O. Box 1849, 3720 E. 32nd St., Yuma, Ariz. **Underwriter** — L. A. Huby Co., Denver, Colo.

Charles Town Racing Association, Inc.
Sept. 9 filed 4,000,000 shares of common stock (par 10 cents), represented by voting trust certificates, of which 3,530,000 shares are to be offered to the public and the remaining 470,000 shares have been issued to nine persons, who may sell such shares at the market. **Price**—60 cents per share. **Proceeds** — For construction of racing plant and acquisition of equipment. **Office**—Charlestown, W. Va. **Underwriter**—None. Statement effective Oct. 23.

Checker Motors Corp., Kalamazoo, Mich.
Nov. 7 filed 133,112 shares of common stock (par $1.25) to be offered for subscription by holders of outstanding common stock of record Nov. 26, 1958 at the rate of one new share for each seven shares then held (with an oversubscription privilege); rights to expire on Dec. 18. **Price**—To be supplied by amendment. **Proceeds** — For exercise by company of its option to purchase 19 presses and accessories leased from Checker Taxi Co. Inc. and for working capital. **Business** — Manufactures and sells Checker taxicabs. **Underwriter**—None.

★ Chemical Fire & Casualty Insurance Co.
Nov. 24 filed 210,000 shares of class "A" voting common stock and 210,000 warrants to subscribe to a like number of shares of class "B" non-voting common stock. Purchasers of the class "A" shares will receive with each share purchased a warrant granting the right to purchase for $10 per share one shares of class "B" stock for a period of 18 months after the company receives permission to write insurance. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—2807 Sterick Bldg., Memphis, Tenn. **Underwriter**—None.

Cinemark II Productions, Inc.
June 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 937 Acequia Madre Rd., Santa Fe, N. M. **Underwriter**—Watson & Co., Santa Fe, N. M.

Clute Corp.
Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo. **Underwriter**—Lowell, Murphy & Co., Inc., Denver, Colo.

• Coleman Engineering Co., Inc. (11/28)
Oct. 27 filed $1,000,000 of 6% sinking fund debentures due 1973 (with stock purchase warrants attached). A warrant to purchase 30 common shares will be attached to each $500 principal amount of debentures, or a total of 60,000 shares. **Price** — 100% and accrued interest. **Proceeds**—To retire short-term borrowings; for anticipated increases in inventory; and for additions to working capital for general corporate purposes. **Underwriters**—Wilson, Johnson & Higgins, San Francisco, Calif. and Lester, Ryons & Co., Los Angeles, Calif. **Offering**—Expected this week.

Colonial Aircraft Corp., Sanford, Me.
Oct. 8 filed 346,492 shares of common stock (par 10 cents). **Price**—75 cents per share. **Proceeds**—To reduce loans, make certain capital improvements and for working capital. **Underwriter**—Mallory Securities, Inc., New York.

★ Colonial Sand & Stone Co., Inc., New York
Nov. 26 filed 97,226 shares of common stock and a like amount of warrants, latter to be exchanged by underwriters for 63,467 shares of common. Warrants are exercisable at an adjust price of $6.912 per share of common stock. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company. **Underwriter**—Glore, Forgan & Co., New York.

★ Columbia Gas System, Inc. (12/15-24)
Nov. 21 filed 800,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters** — Carl M. Loeb, Rhoades & Co., Merrill Lynch, Pierce, Fenner & Smith and seven other firms, all of New York.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

• Consumers Cooperative Association, Kansas City, Mo.
Oct. 29 filed $6,000,000 of 5½% 25-year subordinated certificates of indebtedness, and 60,000 shares of 5½% preferred stock (cumulative to extent earned before patronage refunds). **Price**—For certificates at $100 per unit; and the preferred stock at $25 per share. **Proceeds**—For retirement of maturing certificates of indebtedness, redemptions on request of certificates of indebtedness prior to maturity and of 5½% preferred stock; the possible improvement and expansion of present facilities; and the acquisition of manufacturing plants and crude oil properties if favorable opportunities therefore arise. **Underwriter**—None.

Consumers Power Co.
Aug. 29 filed 150,000 shares of preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for expansion and improvement of service facilities. **Underwriter** — Morgan Stanley & Co., New York. **Offering**—Postponed indefinitely.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St Louis. Robert H. Green is President.

• Crouse-Hinds Co. (12/2)
Nov. 7 filed 219,408 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business**—Producer of electrical conduit fittings. **Office**—Wolf and Seventh Sts., Syracuse, N. Y. **Underwriter**—Hornblower & Weeks, New York.

Cryogenic Engineering Co.
Sept. 22 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds** — For repayment of loan; purchase of plant and office equipment; raw materials and supplies; and for working capital, etc. **Office**—U. W. National Bank Bldg., 1740 Broadway, Denver, Colo. **Underwriter**—L. A. Huey, Denver, Colo.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

★ Cuneo Press, Inc. (12/15)
Nov. 20 filed $5,000,000 of convertible subordinated debentures due Dec. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—$1,176,000 to be used to purchase 12,000 outstanding 3½% cumulative preferred shares ($100 par) at a price of $98 per share, pursuant to agreements entered into with the holders of such shares; the balance to be used to augment the company's working capital. **Office**—2242 Grove St., Chicago, Ill. **Underwriter**—Hemphill, Noyes & Co., New York.

• Cutter Laboratories, Berkeley, Calif. (12/9)
Nov. 17 filed 150,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, and for other corporate purposes. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

Desilu Productions, Inc. (12/2)
Nov. 10 filed 525,000 shares of common stock, of which 250,000 shares are to be offered for the account of the company and 275,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—or purchase of studios, etc. **Business**—A producer of filmed television series. **Office**—780 North Gower St., Hollywood, Calif. **Underwriter**—Bache & Co., New York.

★ Diversified Growth Stock Fund, Inc., Elizabeth, N. J.
Nov. 25 filed (by amendment) an additional 134,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ Diversified Investment Fund, Inc., Elizabeth, N.J.
Nov. 25 filed (by amendment) an additional 2,000,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

Dutch West India Co., Ltd.
Nov. 3 (letter of notification) 222,220 shares of common stock (par 10 cents). **Price**—$1.35 per share. **Proceeds**—For retirement of notes, purchase of equipment, raw materials, containers, etc., and leasehold improvements. Office — 129 S. State St., Dover, Del. **Underwriter**—Ross Securities, Inc., New York.

Dynamic Electronics-New York, Inc.
Oct. 31 (letter of notification) 99,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—For equipping and putting in operation the new plant and for general corporate purposes. **Office** — 73-39 Woodhaven Blvd., Glendale, L. I., N. Y. **Underwriter**—Elliott & Co., New York, N. Y.

Epsco, Inc.
Nov. 5 (letter of notification) 7,500 shares of common stock (no par). **Price**—$24 per share. **Proceeds**—To selling stockholders. **Office**—588 Commonwealth Ave., Boston, Mass. **Underwriter**—W. C. Langley & Co., Boston, Mass. No public offer planned.

★ Epsco, Inc.
Nov. 5 (letter of notification) 2,200 shares of common stock (no par). **Price**—At the market. **Proceeds**—To a selling stockholder. **Office** — 588 Commonwealth Ave., Boston, Mass. **Underwriter**—Hayden, Stone & Co., Boston, Mass.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

Federal Commercial Corp.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To make loans, etc. **Office** — 80 Wall St., New York, N. Y. **Underwriter**—Dumont Securities Corp., New York, N. Y.

• Ferro Dynamics Corp. (12/1)
Nov. 12 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For acquisition or lease of machinery and working capital. **Office**—Lodi, N. J. **Underwriters**—Milton D. Blauner & Co., Inc., New York, N. Y., and Hallowell Sulzberger, Jenks, Kirkland & Co., Philadelphia, Pa.

Fleetwood Motel Corp.
Oct. 24 (letter of notification) $294,000 of 10-year 6% convertible debentures due 1968. **Price**—At par (in denominations of $100, $500 and $1,000. **Proceeds** — For construction of a five-story motor hotel. **Office** — 1400 Philadelphia National Bank Bldg., Philadelphia, Pa. **Underwriter**—R. P. and R. A. Miller & Co., Inc., Philadelphia, Pa.

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NEW ISSUE CALENDAR

November 28 (Friday)

Coleman Engineering Co., Inc.________Debentures
(Wilson, Johnson & Higgins and Lester, Ryons & Co.) $1,000,000

Relur Corp.________Common
(H. J. Weinberger Co. and Walter R. Blaha & Co., Inc.) $300,000

Willer Color Television System, Inc.________Common
(Edwin Jefferson) $206,105

December 1 (Monday)

Bowl America Corp.________Common
(Auchincloss, Parker & Redpath) $600,000

Ferro Dynamics Corp.________Common
(Milton D. Blauner & Co., Inc. and Hallowell Sulzberger, Jenks, Kirkland & Co.) $300,000

Gray Manufacturing Co.________Common
(Offering to stockholders—no underwriting) 90,218 shares

Pacific Telephone & Telegraph Co.________Common
(Offering to stockholders—not underwritten) $159,460,400

Woolfoam Corp.________Common
(C. H. Abraham & Co., Inc.) $300,000

December 2 (Tuesday)

Crouse-Hinds Co.________Common
(Hornblower & Weeks) 219,408 shares

Desilu Productions, Inc.________Common
(Bache & Co.) 525,000 shares

First National Bank in Dallas, Texas________Common
(Offering to stockholders—underwritten by Equitable Securities Corp. and Merrill Lynch, Pierce, Fenner & Smith) $7,830,000

Pacific Gas & Electric Co.________Bonds
(Bids to 8:30 a.m. PST) $65,000,000

Papercraft Corp.________Common
(Eastman Dillon, Union Securities & Co.) 250,000 shares

Southern Colorado Power Co.________Preferred
(Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis) $2,500,000

T. I. M. E., Inc.________Common
(Blyth & Co., Inc.) 260,000 shares

Vocaline Co. of America, Inc.________Common
(Paine, Webber, Jackson & Curtis) $48,375

Von's Grocery Co.________Common
(Hemphill, Noyes & Co.) 360,000 shares

World Wide Helicopters Ltd.________Common
(Blair & Co., Incorporated) 212,153 shares

December 3 (Wednesday)

Arvida Corp.________Class A Common
(Carl M. Loeb, Rhoades & Co. and Dominick & Dominick) $27,500,000

Austria (Republic of)________Bonds
(Kuhn, Loeb & Co. and Ladenburg, Thalmann & Co.) $25,000,000

Campbell Chibougamau Mines, Ltd.________Bonds
(Allen & Co. and W. C. Pitfield & Co., Ltd.) $5,000,000

General Acceptance Corp.________Preferred
(Paine, Webber, Jackson & Curtis and Eastman Dillon, Union Securities & Co.) 300,000 shares

Montana-Dakota Utilities Co.________Bonds
(Bids 11 a.m. EST) $10,000,000

Potomac Electric Power Co.________Bonds
(Bids 11:30 a.m. EST) $25,000,000

Public Service Electric & Gas Co.________Common
(Merrill Lynch, Pierce, Fenner & Smith) 700,000 shares

Union of South Africa________Bonds
(Dillon, Read & Co. Inc.) $25,000,000

United States Freight Co.________Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Smith) $210,000

Wisconsin Public Service Corp.________Preferred
(The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith; Robert W. Baird & Co., Inc.; and William Blair & Co.) $5,000,000

December 4 (Thursday)

Ambassador Oil Corp.________Common
(Dempsey-Tegeler & Co.) 700,000 shares

December 5 (Friday)

Carolina Telephone & Telegraph Co.________Common
(Offering to stockholders—not underwritten) $7,346,625

Miles Laboratories, Inc.________Debentures
(Offering to stockholders—underwritten by The First Boston Corp.) $6,035,400

December 8 (Monday)

Morton Manufacturing Corp.________Common
(Johnson, Lane, Space Corp.) 120,000 shares

Narda Ultrasonics Corp.________Common
(Milton D. Blauner & Co., Inc. and Michael G. Kletz & Co.) 60,000 shares

National Old Line Insurance Co.________Common
(Equitable Securities Corp.) 515,021 shares

Northwest Airlines, Inc.________Preferred
(Offering to stockholders—underwritten by The First Boston Corp.) $11,226,000

West Ohio Gas Co.________Common
(Offering to stockholders—not underwritten) $564,225

December 9 (Tuesday)

American Art Metals Co.________Debentures
(The Johnson, Lane, Space Corp., W. E. Hutton & Co. and J. H. Hilsman & Co., Inc.) $1,250,000

Cardinal Instrumentation Corp.________Common
(Myron A. Lomasney & Co.) $240,000

Cutter Laboratories________Common
(Blyth & Co., Inc.) 150,000 shares

Metropolitan Toronto (Municipality of)________Debens.
(Harriman Ripley & Co., Inc. and Dominion Securities Corp.) $28,559,000

Southern Bell Telephone & Telegraph Co.________Debens.
(Bids 11 a.m. EST) $70,000,000

December 10 (Wednesday)

Anheuser-Busch, Inc.________Common
(Newhard, Cook & Co.; Reinholdt & Gardner; Stifel, Nicolaus & Co., Inc.; and Scherck, Richter Co.) 100,000 shares

Carolina Telephone & Telegraph Co.________Common
(Bids 11 a.m. EST) 65,952 rights

Nielsen (A. C.) Co.________Common
(Smith, Barney & Co.) 126,780 shares

Philadelphia Electric Co.________Bonds
(Bids noon EST) $50,000,000

December 11 (Thursday)

Upjohn Co.________Common
(Morgan Stanley & Co.) 2,410,000 shares

December 15 (Monday)

Belock Instrument Corp.________Debentures
(Carl M. Loeb, Rhoades & Co.) $1,000,000

Columbia Gas System, Inc.________Common
(Carl M. Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Smith) 800,000 shares

Cuneo Press, Inc.________Debentures
(Hemphill, Noyes & Co.) $5,000,000

December 16 (Tuesday)

Texas Power & Light Co.________Bonds
(Bids to be invited) $12,500,000

December 18 (Thursday)

Norfolk & Western Ry.________Equip. Trust Ctfs.
(Bids to be invited) $5,850,000

January 8 (Thursday)

San Diego Gas & Electric Co.________Debentures
(Bids to be invited) $15,000,000

January 13 (Tuesday)

Gulf States Utilities Co.________Preferred
(Bids to be received) $10,000,000

January 19 (Monday)

Gulf States Utilities Co.________Bonds
(Bids to be invited) $10,000,000

January 20 (Tuesday)

Government Employees Variable Annuity Life Insurance Co.________Common
(Offering to stockholders—underwritten by Johnston, Lemon & Co.; Eastman Dillon, Union Securities & Co. and Abacus Fund) $7,500,000

Postponed Financing

Consumers Power Co.________Preferred
(Morgan Stanley & Co.) $15,000,000

Michigan Bell Telephone Co.________Debentures
(Bids to be invited) $40,000,000

Montana Power Co.________Bonds
(Bids to be invited) $20,000,000

Moore-McCormack Lines, Inc.________Bonds
(Kuhn, Loeb & Co and Lehman Brothers) $24,000,000

Pennsylvania Power Co.________Bonds
(Bids to be invited) $8,000,000

Southwestern Bell Telephone Co.________Debentures
(Bids to be invited) $110,000,000

Utah Power & Light Co.________Bonds
(Bids to be invited) $20,000,000

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Flintkote Co.
Nov. 10 filed 132,416 shares of $4.50 series A convertible second preferred stock (par $100) together with 330,043 shares of common stock (par $5). [On Dec. 1, 1958, the Hankins Container Co. will be merged into Flintkote; and on the same date Flintkote will acquire all of the outstanding stock of Orangeburg Manufacturing Co., Inc., in exchange for shares of $4.50 series A preferred stock. Under the terms of the merger agreement with Hankins, each of its 267,458 outstanding common shares will be converted into 1.234 shares of Flintkote common, which will result in the issuance of 330,043 shares of Flintkote common. Under the plan for acquisition of Orangeburg Manufacturing, Flintkote will assume that company's liabilities and issue to it 132,416 shares of the new $4.50 series A preferred. Orangeburg Manufacturing will be dissolved, and the Flintkote preferred shares will be distributed to certain of its shareholders.]

Fluorspar Corp. of America
Oct. 14 (letter of notification) 133,333 shares of common stock (par 25 cents). **Price**—$2.25 per share. **Proceeds**—For mining expenses. **Office**—4334 S. E. 74th Ave., Portland 6, Ore. **Underwriter** — Ross Securities Inc., New York, N. Y.

★ Fort Pierce Port & Terminal Co.
Nov. 25 filed 2,138,500 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To pay short-term loans and for completing company's Port Development Plan and rest added to general funds. **Office** — Fort Pierce, Fla. **Underwriter**—Frank B. Bateman, Ltd., Palm Beach, Fla.

• General Acceptance Corp. (12/3-11)
Nov. 10 filed 300,000 shares of voting preferred stock, convertible series. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriters**—Paine, Webber, Jackson & Curtis and Eastman Dillon, Union Securities & Co., both of New York.

General Aero & Electronics Corp.
Sept. 29 filed 500,000 shares of common stock (par 10 cents), of which 100,000 shares are to be sold for the account of selling stockholders. **Price**—$2.25 per share. **Proceeds**—For acquisition of stock of National Missile & Electronics Corp., additional working capital and other corporate purposes. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

★ General Alloys Co.
Nov. 17 (letter of notification) 45,250 shares of common stock (par $1) of which 16,900 shares are to be offered to employees and the remainder to the public. **Price**—To employees, $1.1805 per share. **Proceeds**—To purchase and install machinery and equipment. **Office**—367-405 West First St., Boston, Mass. **Underwriter**—William S. Prescott & Co., Boston, Mass.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1) **Proceeds**—To the Attorney General of the United States **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Public Service Corp.
Oct. 29 filed 2,478,264 shares of common stock being offered for subscription to common stockholders of record Nov. 18, 1958 on the basis of one new share for each two shares held (with an oversupscription privilege); rights to expire on Dec. 2. **Price**—$5 per share. **Proceeds**—For investment. **Underwriter**—Stone & Webster Securities Corp., New York.

Government Employees Variable Annuity Life Insurance Co. (1/20)
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company on or about Jan. 20, 1959 viz: (1) to holders of common stock (par $4) of Government Employees Insurance Co., on the basis of one warrant per share of stock held on Jan. 6, 1959 (1,334,570 shares are now outstanding); (2) to holders of common stock (par $1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held on Jan. 6, 1959 (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held on Jan. 6, 1959 (as of Sept. 30, 1958 there were 143,127 shares of stock outstanding and $614,360 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,724 common shares would be outstanding). **Price** — $3 per share. **Proceeds** — For capital and surplus. **Office**—Government Employees Insurance Building, Washington, D. C. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass.

Grain Elevator Warehouse Co.
Nov. 3 filed 100,000 outstanding shares of common stock (par 10 cents). National Alfalfa Dehydrating & Milling Co., holder of the 100,000 common shares, proposes to offer to its stockholders preferential warrants to subscribe to 98,750 shares of Grain Elevator stock on the basis of one warrant to purchase one-eighth share of Grain Elevator stock for each share of National Alfalfa common held on Nov. 17, 1958; rights to expire Dec. 31. **Price**—$2 per share. **Proceeds**—To selling stockholder. **Office** — 927 Market Street, Wilmington, Del. **Underwriter**—None.

Grand Union Co.
Oct. 29 filed 187,534 shares of common stock (par $5) to be offered in exchange for outstanding common stock of Sunrise Supermarkets Corp. at the rate of one share of Grand Union stock for each 2.409 shares of Sunrise stock. The offer is subject to acceptance by at least 80% of the outstanding Sunrise shares by Dec. 31.

• Gray Manufacturing Co., Hartford, Conn. (12/1)
Oct. 28 filed 90,218 shares of capital stock (par $5) to be offered for subscription by common stockholders of record Nov. 25, 1958 at the rate of one new share for each four shares held (rights to expire on Dec. 22). **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes. **Underwriter**—None.

Guaranty Life Insurance Co. of America
Nov. 14 filed 88,740 shares of class A common capital stock (par $1.80). **Price**—$5.35 per share. **Proceeds**—To increase capital and surplus. **Office**—815 15th Street, N. W., Washington, D. C. **Underwriter**—None.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16, 1957, filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Hamilton Oil & Gas Corp.
Oct. 22 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—To acquire funds to test drill, explore, and develop oil and gas properties **Underwriter**—None. [The registration includes an additional 588,000 common shares issuable upon exercise of 1,176,000 options rights previously offered (Oct. 19, 1957), which rights entitle the original purchaser thereof to purchase one-half share of stock at 50 cents per share at the expiration of 13 months after commencement of such offering.]

Haverhill Gas Co., Haverhill, Mass. (12/3)
Nov. 12 (letter of notification) 12,285 shares of capital stock (par $10) to be offered for subscription by stockholders of record on Dec. 3, 1958. **Price**—$20 per share. **Proceeds**—To repay bank loans. **Underwriter**—None.

Heartland Development Corp.
Oct. 23 (letter of notification) 22,820 shares of nonvoting convertible preference stock (par $12) to be offered for subscription by stockholders on the basis of one share of convertible preference stock for each 10 shares of common stock held on or about Nov. 1, 1958. Stockholders will have 45 days in which to exercise the rights. **Price** — At par. **Proceeds** — To repay debts, acquisition of investments, and for general purposes. **Address**—P. O. Box-348, Albany, N. Y. **Underwriter**—None.

★ Hecla-Checkmate Mining & Development Co.
Nov. 12 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For mining expenses. **Office**—710 S. Fourth St., Las Vegas, Nev. **Underwriter**—None.

Heliogen Products, Inc.
Oct. 22 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office** — 35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., Suite 1512, 11 Broadway, New York 4, N. Y.

★ Highway Trailer Industries, Inc.
Nov. 24 filed 473,000 outstanding shares of common stock. **Price** — At prices generally prevailing on the American Stock Exchange. **Proceeds**—To selling stockholders. **Office**—250 Park Ave., N. Y. **Underwriter**—None.

Hoagland & Dodge Drilling Co., Inc.
June 12 filed 27,000 shares of capital stock. **Price**—$10 per share. **Proceeds**—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. **Office**—Tucson, Ariz. **Underwriter**—None.

Home-Stake Production Co., Tulsa, Okla.
Nov. 5 filed 116,667 shares of common stock (par $5). **Price**—$6 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 2202 Philtower Bldg., Tulsa, Okla. **Underwriter**—None.

Honeggers' & Co., Inc., Fairbury, Ill.
Nov. 7 filed 19,000 shares of common stock, of which 18,000 shares will be sold for the company, and 1,000 shares for a selling stockholder. **Price**—$30.50 per share. **Business**—Manufactures and sells formula feeds for livestock, animal and poultry, farm animal shelters and related equipment and supplies. **Proceeds** — For working capital and general corporate purposes, including the financing of increased inventory and receivables. **Underwriters**—Tabor & Co., Decatur, Ill., Fusz-Schmelzle & Co., Inc., St. Louis, Mo., and Ellis, Holyoke & Co., Lincoln, Neb.

Indiana & Michigan Electric Co.
Sept. 26 filed $20,000,000 of first mortgage bonds due Nov. 1, 1988. **Proceeds**—To retire bank loans used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Offering**—Date indefinite.

• Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis. Statement effective Nov. 18.

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter** — S. D. Fuller & Co., New York. **Offering**—Being held in abeyance.

Investment Corp. of Florida
Oct. 9 (letter of notification) 55,555 shares of common stock (par two cents). **Price**—$4.50 per share. **Proceeds**—For capital account and paid-in surplus. **Office**—Atlantic Federal Building, 1750 E. Sunrise Boulevard, Ft. Lauderdale, Fla. **Underwriter**—None.

Jantzen, Inc.
Oct. 21 (letter of notification) 938 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To pay stockholders in cash for their fractional interests resulting from the 4% stock dividend of Nov. 1, 1958. **Office**—411 N. E. 19th Avenue, Portland, Ore. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, New York, N. Y.

• Kentucky Utilities Co.
Nov. 3 filed 206,446 shares of common stock (par $10) being offered for subscription by common stockholders of record Nov. 17, 1958, at the rate of one share for each 12 shares then held; rights to expire on Dec. 8. **Price**—$33 per share. **Proceeds**—To finance part of the company's construction expenditures, including the payment of temporary bank loans incurred for that purpose. **Underwriters**—Blyth & Co., Inc., New York, and J. J. B. Hilliard & Son, Louisville, Ky.

★ Lake Mead Echo Bay Lodge, Inc.
Nov. 14 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For construction of unit, furnishings for same, opening inventory and other working capital. **Office**—5005 South La Brea, Los Angeles 56, Calif. **Underwriter** — None. Ernest Serfas is President.

• Lake Ontario Portland Cement Co., Ltd.
Oct. 29 filed 671,376 shares of common stock and warrants for the purchase of an additional 671,376 shares being offered to common shareholders at the rate of one unit (consisting of one common share and one warrant) for each two shares held as of Nov. 25, 1958 (with an oversubscription privilege); rights to expire on Dec. 12, 1958. **Price**—$2.25 per unit (payable in either Canadian or U. S. dollars). **Proceeds**—For construction program and for corporate purposes. **Office** — Picton, Ontario, Canada. **Underwriter**—None. The company's two principal shareholders together with Kidder, Peabody & Co. and Nesbitt, Thomson & Company, Limited, have agreed that they will subscribe for a total of 343,432 units.

★ Lance, Inc., Charlotte, N. C.
Nov. 14 (letter of notification) 1,584 shares of class A voting stock (par $5) and 2,376 shares of class B nonvoting stock (par $5) to be offered to employees pursuant to "Lance Employee Stock Plan." **Price**—$12.50 per share. **Proceeds**—For working capital. **Underwriter**—None.

Laughlin Alloy Steel Co., Inc.
Aug. 28 filed $500,000 of 6% subordinated callable debentures due June 30, 1968, and 150,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 30 common shares. **Price**—$100 per unit. **Proceeds**—Together with a $175,000 mortgage loan from the American Brake Shoe Co., will be used to meet expenditures in acquiring latter company's South San Francisco foundry and for working capital. **Offices**—Las Vegas, Nev., and South San Francisco, Calif. **Underwriter**—Sam Watson Co., Inc., Little Rock, Ark., on a best efforts basis.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

Ling Electronics, Inc.
Oct. 28 filed $922,500 of 5¾% subordinated convertible debentures due Dec. 1, 1970, to be offered in exchange on the basis of equal principal amounts for the outstanding 3% convertible subordinated income notes due 1967 of the Calidyne Co., Inc., a subsidiary. The company will offer to purchase at face value Calidyne notes from those stockholders who desire to sell their notes for cash, at a price equal to 100% of their principal amount.

• Lorillard (P.) Co., New York
Nov. 5 filed 364,670 shares of common stock (par $10), being offered for subscription by common stockholders at the rate of one new share for each eight shares held on Nov. 25; rights to expire on Dec. 9. **Price**—$68 per share. **Proceeds**—To be added to general funds of the company and used for corporate purposes, including reduction of short-term bank loans. **Underwriters**—Lehman Brothers and Smith, Barney & Co., both of New York.

Los Angeles Drug Co.
Oct. 3 filed 50,000 shares of capital stock, to be offered for subscription by holders of outstanding stock, on a pro rata basis. Any shares not so sold will be offered on an exchange basis to holders of outstanding 5% sinking fund debentures. **Price**—$10.50 per share to stockholders; $11.50 to public. **Proceeds**—$328,300 to redeem outstanding 5% sinking fund debentures and $189,200 to reduce short term bank loans. **Office**—Los Angeles, Calif. **Underwriter**—Quincy Cass Associates, Los Angeles, Calif.

Lowenstein (M.) & Sons, Inc.
Nov. 7 (letter of notification) 3,225 shares of common stock (par $1) to be offered on a basis of 1¼ shares in

exchange for one share of capital stock of Wamsutta Mills. **Office**—1430 Broadway, New York, N. Y. **Underwriter**—None.

LuHoc Mining Corp.
Sept. 29 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For the acquisition of properties under option and for various geological expenses, test drilling, purchase of equipment, and other similar purposes. **Offices**—Wilmington, Del., and Emporium, Pa **Underwriter**—None.

M. C. A. Credit Co., Inc., Miami, Fla.
Oct. 6 filed 100,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To reduce current indebtedness to Walter E. Heller & Co. **Underwriter**—Plymouth Bond & Share Corp., Miami, Fla.

★ **Mankato Citizens Telephone Co.**
Nov. 19 (letter of notification) 5,454 shares of common stock (no par) to be offered for subscription by stockholders on the basis of one new share for each seven shares held; unsubscribed shares to employees. **Price**—$55 per share. **Proceeds**—To complete dial conversion program. **Office**—315 South Second St., Mankato, Minn. **Underwriter**—None.

• **Marcus Transformer Co., Inc. (12/10-15)**
Nov. 6 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—For purchase and installation of new production equipment and working capital. **Office**—900 Leesville Ave., Rahway, N. J. **Underwriter**—Berry & Co., New York, N. Y.

• **Marine Corp., Milwaukee, Wis.**
Nov. 10 filed 501,500 shares of common stock (par $10) to be offered in exchange for all the issued and outstanding shares of capital stock of the following banks at the indicated ratios of exchange: (1) two shares for each of the 220,000 outstanding shares of Marine National Exchange Bank of Milwaukee, $20 par; (2) 22 shares for each of the 1,000 outstanding shares of Cudahy State Bank, Cudahy, Wis., $100 par; (3) three shares for each of the 7,500 outstanding shares of Holton State Bank, Milwaukee, $20 par; and (4) 17 shares for each of the 1,000 outstanding shares of South Milwaukee Bank, South Milwaukee, $100 par. Each of the exchange proposals is conditioned (among other things) upon exchanges being made with the holders of not less than 80% of the stock of the bank with respect to which the proposal is made. The offer will terminate on Dec. 31, 1958.

Merchants Petroleum Co.
Oct. 8 (letter of notification) 159,395 shares of common stock (par 25 cents) to be offered for subscription by stockholders of record Oct. 15, 1958 on the basis of one new share for each five shares held; rights to expire Dec. 15, 1958. Unsubscribed shares may be offered to one or more persons selected by the board of directors. **Price**—$1.40 per share. **Proceeds**—To reduce bank loan; to increase working capital and for general corporate purposes. **Office**—617 W. 7th Street, Los Angeles, Calif. **Underwriter**—None.

★ **Metropolitan Toronto (Municipality of) (12/9)**
Nov. 25 filed $5,852,000 of instalment debentures, maturing from Dec. 15, 1959 through 1977, and $22,707,000 of sinking fund debentures, maturing in 1978, 1983, and 1988. **Price**—To be supplied by amendment. **Proceeds**—For various public works projects. **Underwriters**—Harriman Ripley & Co., Inc. and Dominion Securities Corp., both of New York, and five other firms.

Mid-Atlantic Marina, Inc., Baltimore, Md.
Oct. 28 (letter of notification) 60,000 shares of 7% preferred stock (par $3.50). **Price**—$5 per share. **Proceeds**—For construction of a marina. **Office** — Room 104, Old Town Bank Bldg., Baltimore 2, Md. **Underwriter**—Maryland Securities Co., Baltimore, Md.

Miles Laboratories, Inc. (12/5)
Nov. 14 filed $6,035,400 of convertible subordinated debentures due 1978, to be offered for subscription by common stockholders of record Dec. 4, 1958 in the ratio of $100 of debenturse for each 20 common shares held; rights will expire on Dec. 19, 1958. **Price**—To be supplied by amendment. **Proceeds**—For expansion program and general corporate purposes. **Underwriter** — The First Boston Corp., New York.

★ **Mitchell (John E.) Co.**
Nov. 17 (letter of notification) 500 shares of common stock to be offered for subscription by stockholders on a pro rata basis. **Price**—$100 per share. **Proceeds**—To pay instalment on a note due. **Office**—3800 Commerce St., Dallas, Tex. **Underwriter**—None.

★ **Mobile Home Park Development Corp.**
Nov. 14 (letter of notification) 25,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For further loans and other working capital. **Office**—176 West Adams St., Chicago, Ill. **Underwriter**—None.

Montana-Dakota Utilities Co. (12/3)
Nov. 7 filed $10,000,000 of first mortgage bonds due Dec. 1, 1983. **Proceeds**—To repay short-term bank loans in the amount of $9,000,000 and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co. (jointly); Blair & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 3.

Montana Power Co.
July 1 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc (jointly). **Bids**—Had been expected to be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y., but company on Aug. 22 again decided to defer sale pending improvement in market conditions

Montana Power Co.
July 1 filed 100,000 shares of common stock (no par) The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Manager-Dealers**—Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc.

• **Morton Manufacturing Corp. (12/8-12)**
Nov. 17 filed 120,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—2101 Hudson Street, Lynchburg, Va. **Underwriter**—Johnson, Lane, Space Corp., Augusta, Ga.

Motion Picture Investors Inc.
July 11 filed 200,000 shares of common stock (par $1). **Price**—$10.75 per share. **Proceeds**—For investment. **Office**—1000 Power & Light Bldg., Kansas City, Mo. **Underwriter**—None.

Nardo Ultrasonics Corp. (12/8)
Nov. 4 filed 60,000 shares of common stock (par 10 cents). **Price** — To be supplied by amendment. **Proceeds** —To Narda Microwave Corp., the selling stockholder. **Underwriters** — Milton D. Blauner & Co., Inc. and Michael G. Kletz & Co., both of New York, and six other underwriters.

National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—To train and procure persons to implement and carry out the projected plan of development and operation **Office**—1406 Pearl St., Boulder, Colo. **Underwriter**—Western Securities Co., Boulder, Colo.

National Old Line Life Insurance Co. (12/8-16)
Nov. 10 filed 515,021 outstanding shares of class BB common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Capital Ave. and Wood Lane, Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Expected the second or third week of December.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

★ **Nelson Fund, Inc.**
Nov. 20 filed 600 shares of capital stock (par $1,000). **Price**—At market. **Proceeds**—For investment. **Office**—37 Wall St., New York, N. Y.

★ **Nielsen (A. C.) Co. (12/10-11)**
Nov. 20 filed 126,780 shares of common stock (par $1), of which 64,500 shares are to be sold for the account of the company and 62,280 shares for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — To be used for corporate purposes, including expansion, improvements, etc. **Office**—2101 Howard St., Chicago, Ill. **Underwriter**—Smith, Barney & Co., Chicago and New York.

Northwest Airlines, Inc. (12/8)
Nov. 13 filed 449,040 shares of cumulative preferred stock, convertible series (par $25) to be offered for subscription by common stockholders on the basis of one preferred share for each three common shares held on Dec. 5; rights to expire on Dec. 22. **Price**—To be supplied by amendment. **Proceeds** — Together with other funds, to liquidate the borrowing under the present credit agreement with banks now amounting to $34,000,000, and the balance, together with cash generated from depreciation and retained earnings will be applied toward the acquisition of the new turboprop and turbojet aircraft and related spare parts, equipment and ground facilities, and for other corporate purposes. **Underwriter**—The First Boston Corp., New York.

Northwest Gas & Oil Exploration Co.
Aug. 22 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisition of additional gas and oil interests and corporate administrative expenses. **Office**—150 Broadway, New York 38, N. Y. **Underwriter** — Greenfield & Co., Inc., New York 5, N. Y.

Oak Ridge, Inc.
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—11 Flamingo Plaza, Hialeah, Fla. **Underwriter** — Henry & Associates, Inc., 11 Flamingo Plaza, Hialeah, Fla.

Odlin Industries, Inc.
Nov. 12 filed $250,000 of 5½% convertible debentures and 250,000 shares of common stock (par 10 cents). **Price**—Debentures at 100% and stock at $3 per share. **Proceeds**—To purchase a textile mill, machinery, equipment and raw materials, and to provide working capital. **Office**—375 Park Ave., New York, N. Y. **Underwriter**—Harris Securities Corp., New York, N. Y., on a best efforts basis.

Oil, Gas & Minerals, Inc.
Nov. 4 (letter of notification) 150,000 shares of common stock (par 35 cents). **Price**—$1 per share. **Office**—National Bank of Commerce Bldg., New Orleans 12, La. **Underwriter**—Assets Investment Co., Inc., New Orleans, La.

★ **Oil, Gas & Minerals, Inc.**
Nov. 16 (letter of notification) 116,000 shares of common stock (par 35 cents). **Price**—$1 per share. **Proceeds**—For development of oil and gas properties. **Office**—513 International Trade Mart, New Orleans 12, La. **Underwriter**—Assets Investment Co., Inc., New Orleans, La.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

• **Pacific Gas & Electric Co. (12/2)**
Nov. 7 filed $65,000,000 of first and refunding mortgage bonds, series DD, due June 1, 1990. **Proceeds**—For cost of utility property additions. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and The First Boston Corp. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received up to 8:30 a.m. (PST) Dec. 2.

Pacific Telephone & Telegraph Co. (12/1)
Oct. 24 filed 1,594,604 shares of common stock to be offered for subscription by holders of outstanding common and preferred stock of record Nov. 26, 1958 on the basis of one new share for each eight common or preferred shares held; rights will expire on Dec. 30, 1958. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co. **Underwriter** — None. **Control** — Of the 832,000 shares of 6% preferred stock (par $100) and 11,936,835 shares of common stock (par $100) outstanding as of Oct. 24, 1958, there were owned by the American Telephone & Telegraph Co. 640,957 preferred shares and 10,790,943 common shares.

Papercraft Corp., Pittsburgh, Pa. (12/2)
Nov. 12 filed 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business**—The corporation is a leading manufacturer and distributor of gift wrapping products for all occasions. **Underwriter**—Eastman Dillon, Union Securities & Co., Chicago, Ill.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Peninsular Metal Products Corp.
Oct. 6 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (not to exceed an aggregate of $100,000). **Proceeds**—To a selling stockholder. **Office**—1365 Jarvis, Ferndale, Mich. **Underwriter**—Wm. C. Roney & Co., Detroit, Mich.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

• **Philadelphia Electric Co. (12/10)**
Nov. 13 filed $50,000,000 of first and refunding mortgage bonds due Dec. 1, 1986. **Proceeds**—To be used to finance construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.; White, Weld & Co. **Bids**—Expected to be received up to noon (EST) on Dec. 10.

Pioneer Trading Corp., Bayonne, N. J.
Nov. 10 filed 10,000 shares of $8 cumulative preferred stock, series A (par $100) and $1,000,000 of 8% subordinated debentures, series A, due Dec. 1, 1968 to be offered in units of a $500 debenture and five shares of preferred stock. **Price**—$1,000 per unit. **Proceeds** — For general corporate purposes. **Underwriter**—None.

• **Polaroid Corp.**
Nov. 6 filed 173,616 shares of common stock (par $1) being offered for subscription by common stockholders of record Nov. 25, 1958 on the basis of one new share for each 21 shares then held; rights to expire on Dec. 9. **Price** — $70 per share. **Proceeds** — For expansion and working capital. **Underwriter**—Kuhn, Loeb & Co., New York.

Ponce de Leon Trotting Association, Inc.
Aug. 7 filed 400,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To pay current liabilities, for new construction and working capital. **Office**—Bayard, Fla. **Underwriter**—Robert L. Ferman Co., Inc., Miami, Fla.

• **Potomac Electric Power Co. (12/3)**
Nov. 10 filed $25,000,000 of first mortgage bonds due 1993. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce,

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Fenner & Smith, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); Dillon, Reed & Co., Inc. and Johnston, Lemon & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m.(EST) on Dec. 3.

Prairie Fibreboard Ltd.
Aug. 13 filed 209,993 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $3 per share. **Proceeds** — For construction purpose. **Office** —Saskatoon, Saskatchewan Canada. **Underwriter**—Allied Securities Ltd., and United Securities, Ltd., both of Saskatoon, Canada.

Public Service Electric & Gas Co. (12/3)
Nov. 13 filed 700,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter** — Merrill Lynch, Pierce, Fenner & Smith, New York.

★ Putnam Growth Fund, Boston, Mass.
Nov. 19 filed (by amendment) an additional 200,000 shares of beneficial interest (par $1). **Price**—At market. **Proceeds**—For investment.

Rassco Financial Corp.
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis. **Offering**—Expected late this year.

★ Realty & Theatre Ventures, Inc.
Nov. 18 (letter of notification) 200,000 shares of class A stock (par one cent). **Price**—$1.50 per share. **Proceeds**—For general working capital. **Office**—50 Broad St., New York, N. Y. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

★ Reid Laboratories, Inc.
Nov. 14 (letter of notification) 127,284 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For office equipment; inventory and working capital. **Office** —565 Western Ave., N. W., Atlanta 14, Ga. **Underwriter** —None.

• Relur Corp. (11/28-12/1)
Oct. 16 (letter of notification) 150,000 shares of common stock (par five cents). **Price** — $2 per sare. **Proceeds** — For inventories and working capital. **Office**—1007 South 21st Avenue, Hollywood, Fla. **Underwriters**—H. J. Weinberger Co., Jersey City, N. J., and Walter R. Blaha & Co., Inc., Long Island City, N. Y.

Remo Corp., Orlando, Fla.
Sept. 22 filed 100,000 shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter** — Citrus Securities Co., Orlando, Fla.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1) Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

Rocky Mountain Quarter Racing Association
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road Memphis, Tenn.

Routh Robbins Investment Corp.
Sept. 22 filed $1,000,000 of 10-year 6% cumulative convertible debentures and 99,998 shares of common stock **Price**—Of debentures, at par (in units of $100 each); and of stock, $1 per share. **Proceeds** — For investments and working capital. **Office**—Alexandria, Va. **Underwriter**—None.

Rural Telephone Co., Knox, Pa.
Sept. 29 (letter of notification) 3,000 shares of common stock (par $10) to be offered to stockholders on the basis of one new share for each three shares held; rights will expire on Oct. 31, 1958. **Price**—$20 per share. **Proceeds**—For installation, construction and working capital. **Underwriter**—None.

Service Life Insurance Co.
Sept. 26 (letter of notification) 3,567 shares of common stock (par $1). **Price**—$18.75 per share. **Proceeds**—To go to a selling stockholder. **Office**—400 W. Vickery Blvd., Fort Worth, Tex. **Underwriter**—Kay & Co., Inc., Houston, Tex.

Sheraton Corp. of America
Oct. 24 filed $26,500,000 of 7½% capital income sinking fund debentures. The company proposes to offer $8,000,000 of the debentures in exchange for outstanding common shares and an additional $4,000,000 in exchange for outstanding 4¾% convertible debentures due March 1, 1967, and 5% debentures due March 1, 1967 (the terms of the exchange offers are to be supplied by amendment). An additional $1,000,000 of the new debentures are to be offered to company employees at an offering price equal to 95% of principal amount. The remaining $13,500,000 of debentures, plus any part of the $12,000,000 not taken pursuant to the exchange offers will be offered for public sale at 100% of principal amount. **Proceeds** — For general corporate purposes, including the financing of the cost of any acquisitions and new construction. **Underwriter**—Sheraton Securities Corp., Boston, Mass, on a best efforts basis.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None

Sire Plan of Elmsford, Inc., New York (12/22)
Nov. 10 filed $250,000 of 6% 10-year debentures and 5,000 shares of 6% participating preferred stock (par $50) to be offered in units of a $50 debenture and one share of preferred stock. **Price**—$100 per unit. **Proceeds**—For acquisition of motels. **Underwriter**—Sire Plan Portfolios, Inc., New York.

Southern Bell Telephone & Telegraph Co. (12/9)
Nov. 14 filed $70,000,000 of 35-year debentures due Dec. 1, 1993. **Proceeds**—To repay outstanding advances from American Telephone & Telegraph Co., and the balance will be used for general corporate purposes. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received at Room 2315, 195 Broadway, New York, N. Y., up to 11 a.m. (EST) on Dec. 9.

Southern Colorado Power Co. (12/2)
Nov. 10 filed 50,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, will be applied to the payment in part of obligations incurred or to be incurred in connection with the company's construction program during 1957 and 1958 or for the payment of bank loans made in connection therewith. **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber,, Jackson & Curtis, both of New York.

Sports Arenas (Delaware) Inc.
Nov. 18 filed $2,000,000 of 6% 10-year convertible debentures (subordinated), due Jan. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—$750,000 to pay AMF Pinspotters, Inc. for bowling alley beds; $350,000 to pay for other installations, fixtures and equipment; $85,000 to expand two present establishments by increasing the number of alley beds by eight at Yorktown Heights and by six at Wilton Manor Lanes, Fort Lauderdale; $300,000 for deposits on leaseholds, telephones and utilities; and $395,000 for working capital. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). **Price**—At the market (but in no event less than $6 per share). **Proceeds**—To selling stockholders. **Office**—33 Great Neck Rd., Great Neck, N. Y. **Underwriter**—None.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss

Strategic Minerals Corp. of America, Dallas, Tex
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $1 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

• Structural Fibers, Inc.
Nov. 4 (letter of notification) 15,700 shares of common stock being offered for subscription by stockholders of record Nov. 17, at the rate of one share for each two shares held (with an oversubscription privilege); rights to expire on Dec. 15. **Price** — At par ($10 per share). **Proceeds**—To retire outstanding debts and for working capital. **Office**—Fifth Ave., Chardon, Ohio. **Underwriter**—None.

Super Food Services, Inc.
Oct. 28 filed 110,000 shares of preferred stock, first series, and 110,000 warrants, first series, to purchase a like number of common shares to be offered in units of one preferred share and one warrant (warrants are exercisable at $2.50 per common share). **Price**—$20 per unit. **Proceeds**—To purchase outstanding shares of F. N. Johnson Co. **Underwriter**—W. H. Tegtmeyer & Co., Chicago, Ill. [In addition, the company is offering warrants to purchase 6,347 common shares to holders of class A capital stock, if converted to common shares on or before Dec. 31, 1958; and warrants to purchase 6,000 shares are being given to Central Illinois Securities Corp., which has subscribed to 25,000 of the units being offered. A total of 42,356 common shares are being offered to class A capital shareholders in exchange for said class A shares on a share for share basis.] **Offering**—Expected this week.

Surrey Oil & Gas Corp., Dallas, Tex.
Nov. 12 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To retire current liabilities and for drilling and exploration costs and working capital. **Underwriter**—Peter Morgan & Co., New York.

★ Texas Power & Light Co. (12/16)
Nov. 21 filed $12,500,000 of first mortgage bonds due 1988. **Proceeds**—Together with a cash contribution of $2,000,000 from its parent, Texas Utilities Co., and funds derived from operations, will be used to finance construction and to repay $4,000,000 of loans from the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; Lehman Brothers; Drexel & Co. and Hemphill, Noyes & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received on Dec. 16.

Thomas Paint Products Co.
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga **Underwriter**—None.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

Tower Merchandise Mart, Inc., Boulder, Colo.
Nov. 10 filed 500,000 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For working capital and construction program. **Underwriter**—Allen Investment Co., Boulder, Colo.

• Tucson Gas, Electric Light & Power Co.
Nov. 5 filed 110,000 shares of common stock (par $5) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held of record Nov. 25, 1958; rights to expire on Dec. 15. **Price**—$49 per share. **Proceeds**—To be added to general funds of the company and used for payment of promissory notes. **Underwriters**—Blyth & Co., Inc., and The First Boston Corp., both of New York. [Registration also covers 11,000 additional common shares to be offered to regular full time employees, including officers of company.]

Tungsten Mountain Mining Co.
Aug. 11 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To extinguish present indebtedness, increase reserve for contingencies and working capital. **Office**—511 Securities Bldg., Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., 807 Hoge Bldg., Seattle 4, Wash.

Union Finance Corp., Tampa, Fla.
Sept. 26 filed $500,000 of 6% 20-year sinking fund convertible capital debentures due Oct. 15, 1978. **Price** — 100% and accrued interest. **Proceeds**—To be added to the general funds of the company and initially used to reduce bank loans and short term notes. **Underwriter**—Beil & Hough, Inc., St. Petersburg, Fla. **Offering**—Expected this week.

Union of South Africa (12/3)
Nov. 10 filed $25,000,000 of External Loan Bonds dated Dec. 1, 1958 and due in 1961, 1962, 1963 and 1968. **Price**—To be supplied by amendment. **Proceeds**—To meet the Union's capital requirements. **Underwriter**—Dillon, Read & Co. Inc., New York.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None Myrl L. McKee of Portland, Ore., is President.

United Security Life & Accident Insurance Co.
Aug. 22 filed 120,000 shares of class A common stock. **Price**—$3 per share. **Proceeds**—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. **Office**—Louisville, Ky. **Underwriter**—None. Edmond M. Smith, is President.

• United States Freight Co. (12/3)
Nov. 13 filed 210,000 shares of capital stock (no par) to be offered for subscription by stockholders on or about Dec. 2, 1958, at the rate of one new share for each four shares held, rights to expire on Dec. 17. **Price**—To be supplied by amendment. **Proceeds** — Some $750,000 will be used to prepay conditional sales contracts for trailers, tractors and miscellaneous equipment previously acquired by the company for use in "piggyback" operations, and approximately $1,750,000 will be applied to additional "piggyback" equipment, the balance will be used for general corporate purposes, primarily as additional working capital to finance expanded "piggyback" operations. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, New York.

★ United States Glass & Chemical Corp.
Nov. 26 filed 708,750 outstanding shares of common stock. **Price**—At market. **Proceeds** — To selling stockholders. **Office**—Tiffin, Ohio. **Underwriter**—None.

U. S. Polymeric Chemicals, Inc.
Oct. 22 (letter of notification) 26,285 shares of common stock (par 50 cents) being offered for subscription by stockholders of record Nov. 3, 1958 on the basis of four new shares for each 13 shares held; rights will expire on Nov. 24, 1958. **Price**—$11 per share. **Proceeds**—For equipment, bank loan and for working capital. **Office**—

P. O. Box 546, Canal & Ludlow Sts., Stamford, Conn. **Underwriter**—Dominick & Dominick, New York.

★ Universal Programs Inc., New York
Nov. 24 filed (by amendment) an additional $20,000,000 of Systematic Investing Programs With Insurance, Systematic Savings Investing Programs Without Insurance and Single Payment Investing Programs. **Proceeds**—For investment.

★ Upjohn Co., Kalamazoo, Mich. (12/11)
Nov. 21 filed 2,410,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Morgan Stanley & Co.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). Price—To be supplied by amendment (expected to be $1 per share). Proceeds—For exploration purposes. Underwriter—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Utah Power & Light Co.
June 26 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly). **Bids**—Were to have been received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9, but were postponed on Sept. 3. Bids will now be received on such day subsequent to Sept. 22, 1958 but not later than Nov. 25, 1958 as shall be designated by company.

★ Vernon Co., Newton, Iowa
Nov. 25 filed 50,000 shares of common stock. **Price**—$9.25 per share. **Proceeds**—For working capital. **Underwriters**—T. C. Henderson & Co., Inc., Des Moines, Iowa, and Quail & Co., Inc., Davenport, Iowa.

Vocaline Co. of America, Inc. (12/2)
Nov. 10 (letter of notification) 21,500 shares of common stock (par $1.50). **Price**—To be supplied by amendment (approximately $2.25 per share). **Proceeds** — To repay short term bank loan; reduce accounts payable; acquire inventory and the balance for working capital. **Underwriter**—Paine, Webber, Jackson & Curtis, New York, N. Y.

Von's Grocery Co., Los Angeles, Calif. (12/2)
Nov. 5 filed 360,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Hemphill, Noyes & Co., Los Angeles, Calif., and New York City.

Waltham Precision Instrument Co., Inc.
Oct. 24 (letter of notification) 300,000 shares of common stock being offered for subscription by stockholders on the basis of one share for each eight shares held as of Nov. 12, 1958 (with an oversubscription privilege); rights to expire on Dec. 12, 1958. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—Waltham, Mass. **Underwriter**—None.

● West Ohio Gas Co. (12/8)
Nov. 17 filed 37,615 shares of common stock (par $5) to be offered for subscription by common stockholders of record Dec. 6, 1958, at the rate of one new share for each 10 shares then held; rights to expire on Jan. 9. **Price**—$15 per share. **Proceeds** — For construction program. **Office**—319 West Market St., Lima, O. **Underwriter**—None.

● Willer Color Television System, Inc. (11/28)
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. Proceeds — For general corporate purposes. Office—151 Adell Avenue, Yonkers, N. Y. Underwriter — Edwin Jefferson, 39 Broadway, New York 6, N. Y. Statement effective Nov. 18.

Wilmington Country Club, Wilmington, Del.
Oct. 27 filed $500,000 of debentures due 1991 (non interest bearing) and 800 shares of common stock (par $25) to be offered to members of this club and of Concord Ltd. **Price**—$375 per common share and $1,000 per debenture. **Proceeds** — To develop property and build certain facilities. **Underwriter**—None.

Wisconsin Public Service Corp. (12/3)
Nov. 12 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans incurred for 1958 construction. **Underwriters**—The First Boston Corp., and Merrill Lynch, Pierce, Fenner & Smith, both of New York; Robert W. Baird & Co., Inc., Milwaukee, Wis.; and William Blair & Co., Chicago, Ill.

● Woolfoam Corp. (12/1)
Nov. 6 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—44 W. 18th St., New York, N. Y. **Underwriter**—C. H. Abraham & Co., Inc., 565 Fifth Ave., New York 17, N. Y.

● World Wide Helicopters Ltd. (12/2)
Oct. 28 filed American depositary receipts for 212,158 shares of £1 par ordinary (common) stock (together with a like number of the shares. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Blair & Co., Incorporated, New York. **Office**—Nassau, Bahamas.

Wyoming Corp.
Nov. 17 filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith.

Commonwealth Edison Co.
Aug. 25 it was reported that the company may issue and sell $25,000,000 of preferred stock. **Underwriters**—May be The First Boston Corp. and Glore Forgan & Co., both of New York. **Offering**—Expected late in 1958 or during the first three months of 1959.

★ Consolidated Edison Co. of New York, Inc.
Nov. 25 it was announced that the company plans to offer to its common stockholders $59,778,600 of convertible debentures in the latter part of January on the basis of $100 of debentures for each 25 shares owned. **Price**—To be determined just prior to the offering date. **Underwriters**—May be Morgan Stanley & Co. and The First Boston Corp., both of New York.

Denmark (Kingdom of)
Sept. 2 it was reported that an issue of between $20,000,000 to $30,000,000 may possibly be placed on the American market this year. **Underwriter**—Kuhn, Loeb & Co., New York.

Equitable Gas Co.
July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. Proceeds—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. Underwriters—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

First City National Bank
Sept. 19 it was announced Bank plans to offer to its stockholders of record Oct. 2, 1958 the right to subscribe for 125,000 additional shares of capital stock (par $20) on the basis of one new share for each 10 shares held; rights to expire on Jan. 10, 1959. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Office**—931 Main Street, Houston 1, Texas.

First National Bank in Dallas, Texas (12/2)
Oct. 27 it was announced stockholders will vote on Dec. 2 to approve a plan to offer 290,000 shares of additional common stock (par $10) to stockholders of record Dec. 2, 1958 on a one-for-eight basis; rights to expire on Dec. 18. **Price**—$27 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Equitable Securities Corp., Dallas, Texas, and Merrill Lynch, Pierce, Fenner & Smith, Fort Worth, Texas.

First National Bank of Jersey City (N. J.)
Nov. 19 it was announced Bank is offering to its stockholders of record Nov. 19, 1958 the right to subscribe on a pro rata basis for an additional 17,000 shares of capital stock (par $25); rights will expire on Dec. 5. **Price**—$55 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Van Alstyne, Noel & Co., New York.

Giant Food Stores, Inc.
Nov. 3 it was reported that the company plans an offering of common stock to holders of Giant Food Properties, Inc. **Underwriters**—May be Kidder, Peabody & Co., New York, and Auchincloss, Parker & Redpath, Washington, D. C.

Great Atlantic & Pacific Tea Co., Inc.
Feb. 19 it was reported a secondary offering of common voting stock is expected this year. Underwriters — May include: Blyth & Co., Inc.; Lehman Brothers and Smith, Barney & Co.

★ Gulf States Utilities Co. (1/19)
Nov. 21 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Jan. 19.

★ Gulf States Utilities Co. (1/13)
Nov. 13 it was announced company plans to issue and sell 100,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lee Higginson Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers and Equitable Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Expected to be received on Jan. 13.

Heublein, Inc.
Aug. 25 it was reported that the company plans early registration of 400,000 shares of common stock; of which 100,000 shares are to be sold for the account of selling stockholders. **Proceeds**—For expansion. **Underwriter**—Glore, Forgan & Co., New York. **Offering** — Expected sometime in November.

Japan (Empire of)
Aug. 20 it was stated that an issue of between $30,000,000 and $50,000,000 of bonds may soon be publicly offered on the American market. **Proceeds**—For public works projects, etc. **Underwriter**—The First Boston Corp., New York.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year. The proposed sale was subsequently deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp.

Laboratory for Electronics, Inc.
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). Price—$10 per share, less an underwriting discount of 8½%. Proceeds—For investment.

Michigan Bell Telephone Co.
Aug. 12 directors approved plans to sell $40,000,000 of 34-year debentures. **Proceeds**—To redeem a like amount of 4¾% debentures due November, 1992. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Had been tentatively scheduled to be received on Sept. 16, but on Aug. 26 it was voted to postpone this refunding program because of present market conditions.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. Proceeds — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. Proceeds—To build pipe line system to cost about $111,000,000. Underwriters — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by **a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. Underwriters—Kuhn, Loeb & Co.** and Lehman Brothers, both of New York. **Offering**—Postponed because of uncertain market conditions.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. Underwriter—For any common stock: The First Boston Corp., New York.

Norfolk & Western Ry. (12/18)
Bids are expected to be received by the company on Dec. 18 for the purchase from it of $5,850,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ North American Van Lines, Inc.
Nov. 20, James D. Edgett, President, announced company plans early in 1959 to make a public offering of its

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Westchester Bank To Handle Small Business Fund

Hundreds of small businessmen of Westchester County will have available to them for the first time a vehicle for providing pension and profit-sharing benefits to their employees, according to an announcement from Ralph T. Tyner, Jr., Chairman, and Harold J. Marshall, President, of National Bank of Westchester, White Plains.

Companies employing as few as two, ten, twenty-five or any number of employees can take advantage of the NBW GROUP INVESTMENT FUNDS, according to the announcement.

The plan to be known as NBW GROUP INVESTMENT FUNDS will permit even the smallest business firms and corporations to obtain for their employee benefit programs all the investment advantages available formerly only to trusteed plans of larger corporations.

The announcement stated that "Any employee benefit plan which has Treasury Department approval, can participate in the NBW GROUP INVESTMENT FUNDS and enjoy all the benefits of sound management, broad diversification, greater liquidity and lower costs inherent in these group funds. We believe that many Westchester firms have hesitated to establish pension and profit-sharing plans, despite the many advantages to be derived, because of the small number of employees or for similar reasons. Now, however, they can do it and we are proud to be the first in Westchester to offer this important service."

DIVIDEND NOTICES

ANACONDA

DIVIDEND NO. 202

November 26, 1958

The Board of Directors of THE ANACONDA COMPANY has today declared a dividend of Fifty Cents ($.50) per share on its capital stock of the par value of $50 per share, payable December 27, 1958, to stockholders of record at the close of business on December 5, 1958.

R. E. SCHNEIDER
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of Allegheny Ludlum Steel Corporation held today, November 20, 1958, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable December 20, 1958, to Common stockholders of record at the close of business on December 5, 1958.

S. A. McCASKEY, JR.
Secretary.

AMERICAN MACHINE AND METALS, INC.

60th Dividend

A QUARTERLY DIVIDEND of SEVENTY CENTS per share has been declared on the capital stock for the fourth quarter of 1958, payable on December 20, 1958, to shareholders of record on December 5, 1958.

Robert G. Burns, *Treasurer*

Diamond Chemicals

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on Nov. 20, 1958 declared a regular quarterly dividend of 45 cents per share, payable Dec. 15, 1958 to holders of common capital stock of record Dec. 5, 1958.

DONALD S. CARMICHAEL, Secretary
Cleveland, Ohio - Nov. 21, 1958

DIAMOND ALKALI COMPANY
Chemicals you live by

DIVIDEND NOTICES

BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

DIVIDEND

The Board of Directors has declared a quarterly dividend of thirty-five cents (35c) per share and a year-end dividend of forty cents (40c) per share on the capital stock ($3 par value) of the Corporation, payable December 15, 1958 to stockholders of record November 28, 1958.

L. G. REGNER, Secretary-Treasurer.

Milwaukee, Wis.
November 18, 1958

THE COLORADO FUEL AND IRON CORPORATION

Dividend Notice

The Board of Directors of The Colorado Fuel and Iron Corporation today declared the regular quarterly dividend of $62\frac{1}{2}$ cents per share on the series A $50 par value preferred stock, and $68\frac{3}{4}$ cents per share on the series B $50 par value preferred stock. These dividends are payable December 31 to stockholders of record at the close of business December 5, 1958. The Board of Directors took no action on the quarterly dividend on the common stock for the quarter ending December 31, 1958.

D. C. McGREW, Secretary.

CSC

COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 96

A dividend of five cents (5c) per share has today been declared on the outstanding common stock of this Corporation, payable on December 29, 1958, to stockholders of record at the close of business on December 5, 1958.

A. R. BERGEN
Secretary.

November 24, 1958.

SERVING HOME AND INDUSTRY WITH ESSENTIAL BASIC PRODUCTS

EASTERN GAS AND FUEL ASSOCIATES

DIVIDENDS

COMMON STOCK — A regular quarterly dividend of 40 cents a share, payable December 28, 1958 to shareholders of record December 5, 1958.

4½% CUMULATIVE PREFERRED STOCK — A regular quarterly dividend of $1.12½ a share, payable January 1, 1959 to shareholders of record December 5, 1958.

E. H. BIRD, *President*
250 Stuart St., Boston 16, Mass.
November 20, 1958

Our stock is listed on the New York Stock Exchange. Symbol is EFU.

DIVIDEND NOTICES

CITY INVESTING COMPANY

25 Broad Street, New York 4, N. Y.

The Board of Directors of this company on November 19, 1958, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company payable January 1, 1959, to stockholders of record at the close of business on December 15, 1958.

JOHN A. KENNEDY,
Vice-President and Secretary.

ELECTRIC BOND AND SHARE COMPANY

New York, N. Y.

Notice of Dividend

The Board of Directors has declared a quarterly dividend of thirty-five cents (35¢) per share on the Common Stock, payable December 29, 1958, to shareholders of record at the close of business December 8, 1958.

B. M. BETSCH,
Secretary and Treasurer

November 21, 1958.

MERCK & CO., INC.

RAHWAY, N. J.

Quarterly dividends of 35¢ a share on the common stock and 87½¢ a share on the $3.50 cumulative preferred stock, have been declared, payable on January 2, 1959, to stockholders of record at the close of business on December 5, 1958.

An extra dividend of 20¢ a share on the common stock has also been declared, payable on December 22, 1958, to stockholders of record at the close of business on December 5, 1958.

CARL M. ANDERSON,
November 25, 1958 *Secretary*

DIVIDEND NOTICE

FLORIDA POWER & LIGHT COMPANY

MIAMI, FLORIDA

A quarterly dividend of 41c per share has been declared on the Common Stock of the Company . . . payable December 19, to stockholders of record at the close of business on November 28, 1958.

R. H. FITE
President

DIVIDEND NOTICES

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

November 21, 1958

At the meeting of the Board of Directors of Kennecott Copper Corporation held today, a cash distribution of $1.00 per share was declared, payable on December 22, 1958, to stockholders of record at the close of business on December 2, 1958.

PAUL B. JESSUP, Secretary

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

November 19, 1958

A quarterly dividend of twenty-five (25c) cents per share was declared, payable December 19, 1958, to stockholders of record at the close of business December 4, 1958.

A year-end dividend of twenty-five (25c) cents per share, was declared, payable December 19, 1958, to stockholders of record at the close of business December 4, 1958.

JOHN G. GREENBURGH,
Treasurer

ROBERTSHAW-FULTON CONTROLS COMPANY

Richmond, Va.

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5¾ per cent Cumulative Convertible Preferred Stock, payable December 20, 1958 to stockholders of record at the close of business December 10, 1958.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable December 22, 1958 to stockholders of record at the close of business December 10, 1958. The transfer books will not be closed.

JAMES A. WITT
November 19, 1958 *Secretary*

TENNESSEE CORPORATION

November 18, 1958

CASH DIVIDEND

A dividend of fifty-five (55¢) cents per share was declared payable December 18, 1958, to stockholders of record at the close of business December 4, 1958.

EXTRA CASH DIVIDEND

An extra dividend of twenty-five (25¢) cents per share was declared payable January 9, 1959, to stockholders of record at the close of business December 4, 1958.

JOHN G. GREENBURGH
61 Broadway *Treasurer.*
New York 6, N.Y.

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 25 cents per share on the 10,020,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable December 15, 1958, to stockholders of record at the close of business December 1, 1958.

E. F. VANDERSTUCKEN, JR.,
Secretary.

NATIONAL STEEL *Corporation*

NATIONAL STEEL

116th Consecutive Dividend

The Board of Directors at a meeting on November 13, 1958, declared a quarterly dividend of seventy-five cents per share on the capital stock, which will be payable December 11, 1958, to stockholders of record November 24, 1958.

PAUL E. SHROADS
Senior Vice President

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 44 cents per share on the Common Stock of the Company, payable January 2, 1959 to stockholders of record at the close of business December 2, 1958.

D. W. JACK
Secretary

November 21, 1958

UCB UNITED CARBON COMPANY

CHARLESTON, WEST VIRGINIA

DIVIDEND NOTICE

A quarterly dividend of fifty cents (50c) per share has been declared on the Common Stock of this Company. Also declared was a stock dividend of three per cent (3%) on issued stock. Both dividends are payable December 15, 1958 to shareholders of record at close of business on November 26, 1958.

C. H. McHENRY
Secretary

YALE & TOWNE

Declares 283rd Dividend
37½¢ a Share

On Nov. 20, 1958, dividend No. 283 of thirty-seven and one-half cents per share was declared by the Board of Directors out of past earnings, payable on January 2, 1959, to stockholders of record at the close of business December 10, 1958.

Wm. H. MATHERS
Vice-President and Secretary

THE YALE & TOWNE MFG. CO.
Cash dividends paid in every year since 1899

Continued from page 45

CALENDAR

stock, and has applied to the Interstate Commerce Commission for authority to do so.

Northern Illinois Gas Co.
June 10 it was announced company will sell late this year $10,000,000 mortgage bonds but on Sept. 12 it was stated that immediate financing will not be necessary. **Underwriter**—To be determined by competitive bidding. **Probable bidders:** Halsey, Stuart & Co. Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Northern Insurance Co. of New York
Nov. 8 it was announced company plans to offer to its stockholders the right to subscribe for 290,400 shares of capital stock (par $12.50) on the basis of one new share for each two shares held (following 100% stock distribution). Stockholders will vote Dec. 10 on both proposals. Subscription warrants are expected to be issued late in December or early in January. **Underwriter**—May be The First Boston Corp., New York.

Republic National Bank of Dallas, Tex.
Nov. 14 Bank offered 85,170 additional shares of capital stock (par $12) to its stockholders of record Nov. 14, 1958, one new share for each 35 shares held; rights to expire on Dec. 1, 1958. **Price**—$60 per share. **Proceeds**—To increase capital and surplus.

★ **San Diego Gas & Electric Co.** (**1/8**)
Nov. 12 it was reported that the company plans to issue and sell $15,000,000 of debentures. **Proceeds**—To repay bank borrowings incurred for capital expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler, Kuhn, Loeb & Co. and American Securities Corp. (jointly); Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Blyth & Co., Inc.; The First Boston Corp. **Bids**—To be received on Jan. 8.

South Coast Corp.
Oct. 27 it was reported that the company is planning some long-term financing. **Proceeds** — To replace an interim loan obtained in connection with the purchase of properties from Gulf States Land & Industries, and to retire approximately $1,200,000 of first mortgage 4¼% bonds due 1960. **Underwriter** — May be Hornblower & Weeks, New York.

Southeastern Fidelity Fire Insurance Co.
Aug. 26 it was announced that the company in all probability will offer additional common stock to its shareholders in the near future. **Proceeds**—To expand operations. **Office** — 197 Auburn Ave., N. E., Atlanta, Ga. **Underwriter**—None.

Southwestern Bell Telephone Co.
July 10 it was announced Missouri Public Service Commission authorized the company to issue $110,000,000 of 35-year debentures. **Proceeds** — To refund outstanding $100,000,000 4¾% debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Offering**—Has been postponed. Bids had been expected about Sept. 30, 1958.

T. I. M. E. Inc. (**12/2**)
Oct. 27 it was reported that an offering of 260,000 shares of common stock (par $2) is planned, of which 125,000 shares will be for account of company. **Proceeds**—To retire equipment purchase obligations and for general corporate purposes. **Business**—Trucking concern. **Underwriter**—Blyth & Co., Inc., New York and San Francisco, Calif.

★ **Trout Mining Co.**
Nov. 25 it was announced by this newly organized subsidiary of American Machine & Metals, Inc., that it will shortly file a registration statement covering a rights offering (with an oversubscription privilege) to stockholders of record Dec. 31, 1958 on the basis of three new shares for each share received by stockholders on Dec. 5. **Price**—$1 per share.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959, but this financing may be put off until June, 1959. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Shields & Co. (jointly); Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith.

Universal Oil Products Co.
Aug. 13 it was reported that an issue of common stock will soon be offered to the public, the proceeds of which may run between $50,000,000 and $60,000,000. Approval of the transaction rests with the New York State Supreme Court (expected within two months). **Proceeds**—To the Petroleum Research Fund of the American Chemical Society. **Underwriters**—Expected to be Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York. **Offering**—Expected in November.

Valley National Bank, Phoenix, Ariz.
Oct. 31 common stockholders were given the right to subscribe for an additional 101,933 shares of common stock (par $5) at the rate of one new share for each 15 shares held of record Oct. 30, 1958; rights to expire on Nov. 21. **Price**—$35 per share. **Underwriters**—William R. Staats & Co. and Blyth & Co., Inc., both of Los Angeles, Calif.

Venezuela (Government of)
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Virginian Ry.
Aug. 26 the directors approved a proposal to exchange 2,795,500 shares of 6% cumulative preferred stock (par $10) for $32,148,250 new 6% subordinated income sinking fund debentures to mature Aug. 1, 2008 on the basis of $11.50 principal amount of debentures for each preferred share. Offer began on Nov. 17 and will expire on Jan. 16. **Dealer-Manager**—Harriman Ripley & Co. Inc., New York.

Vita Food Products, Inc.
Nov. 3 it was reported that the company plans to issue 15,000 shares of common stock. **Proceeds** — To acquire Mother's Food Products, Inc. **Underwriter**—Granbery, Marache & Co., New York.

Our Reporter's Report

The corporate new issue market continues to limp along in search of a base that will tend to bring those seeking to borrow capital and those having funds available more nearly in accord.

But noting the season of the year, experienced observers are not inclined to anticipate much in the way of improvement through the remaining weeks of 1958. Quite to the contrary, their chief hope now is that portfolio managers for major institutional investors will not shut up shop too early for year-end adjustment.

The seasoned bond market has been piddling along without getting anywhere so far as impressing prospective buyers is concerned. And new issues, accordingly, have been meeting rather erratic response.

Within the past week or ten days two issues recently brought to market have been turned loose to seek their own level after having proved a bit on the slow side in moving out at the issue price. In neither case did the issue in question suffer any severe reaction.

Rather the tendency was to shade the initial offering quotation. That was what happened in both the Columbia Gas and Puget Sound Power and Light offerings where the syndicates were disbanded. Meantime, Pacific Telephone & Telegraph Co.'s $80 million issue of 32-year, 4⅝% debentures continued on the slow side.

But Northern Natural Gas Co.'s $30 million of 4⅝% debentures, brought out yesterday to yield 4.6%, are commanding a slight premium, presumably meeting investors' ideas in that respect.

The hope currently is that the secondary market will develop somewhat better tone as tax selling gets out of the way over the next few weeks providing the basis for a little better situation as the year-end approaches.

Post-Holiday Schedule

With the Thanksgiving holiday out of the way, prospective borrowers, it appears, will be in the market for around $140 million of new debt capital in the week ahead. In addition, several rather substantial equity operations are on tap, provided nothing happens to bring about a change in present plans.

The major debt offering shapes up as Pacific Gas & Electric Co.'s first and refunding mortgage bonds which are scheduled for bidding on Tuesday. The original registration here covered $50 million, but the company is reported preparing an amendment to raise this to $65 million.

On the following day Potomac Electric Power Co. is slated to open bids for $25 million of its bonds. Wednesday also brings up public offering of $25 million Republic of Austria bonds, and a like amount of Union of South Africa bonds, while Montana-Dakota Utilities Co. has $10 million bonds up for bids.

Equity Offerings

Next week's equity offerings include Desilu Production Inc.'s 525,000 shares of common which are scheduled to reach the market on Tuesday.

Wednesday brings up 700,000 shares of common stock of the Public Service Electric & Gas Co., plus $5 million of preferred stock of Wisconsin Public Service Corp.

Also on tap for Wednesday is the Arvida Corp. issue of $27.5 million of class A common.

General Acceptance Corp. has a 300,000 share preferred offering in being, with the actual offering likely to be made during the coming week.

Demand is Sustained

Corporate demand for new capital, via both the debt and equity security routes, continues to manifest itself in the constant expansion of the list of new financing prospects.

Latest to join the ranks is Consolidated Edison Co. of New York Inc., which has revealed plans to raise $60 million through the sale of convertible debentures late in January.

Shareholders could subscribe for $100 of debentures for each 25 shares held.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The Nation's electric utilities may have a little tougher sledding in the 86th Congress than they have had in a number of years. Of course, a legislative body is unpredictable for the most part, but on paper the electric utilities are going to have a battle on their hands.

The new Congress will have many members who are indebted to some extent to labor. Why? Because labor opened its big purses this year and handed out a tremendous amount of money. Today labor is claiming credit for helping to elect 12 brand new senators, all Democrats, plus scores of new House members.

The political climate, as it now exists, has obviously weakened some proposals that electric utilities would like to see passed, and has strengthened some measures that they would like to see die in committees.

Weakened are proposals that would amend the Holding Company Act that would grant exemption to two or more companies to jointly undertake hydro or atomic energy projects and would require Federal hydroelectric projects to pay for benefits for upstream reservoirs.

TVA May Expand

On the other hand, proposals that have a brighter chance of passage than they have had in years are those that would authorize the Tennessee Valley Authority to issue and sell hundreds of millions of dollars in revenue bonds in financing and expanding its power program, and the proposed Federal power project for the Columbia River Basin. The proponents of Federal power are working toward creating a big corporation that would be somewhat similar to TVA in the Columbia River Basin.

It appears unlikely that Congress will require the Rural Electric Administration (REA) to pay its own way in the money market. The Federal Government, of course, has been subsidizing REA loans ever since the agency was created, and it looks as though this will continue. Perhaps there will be bigger Reclamation Bureau construction funds as a result of the election results in the Rocky Mountain and Pacific Coast states.

There are more than 100 electric companies participating in more than a score of development projects. They are putting many, many millions of dollars in those projects. Nevertheless, there is going to be a bloc in Congress, although in the minority, that will make a concerted effort that will seek to put the Federal Government directly into the nuclear energy program.

The TVA Program

Of all the measures affecting the field of electric utilities in the next Congress that has a favorable chance of passage, as it now stands, is the TVA proposal. It is going to take a lot of work by the private companies to keep this measure from becoming law. It is not going to be easy.

Tennessee Valley Authority, created by Congress in 1933, is the sole supplier of power for an area of about 80,000 square miles. Here nearly 5,500,000 people live. Like the rest of the nation it is growing. There is no question that the area needs more electric current, because the power needs increase with growing populations.

Legislation to permit TVA to finance new power facilities by sale of revenue bonds was before Congress the past four years. The TVA board, the Bureau of the Budget, and President Eisenhower recommended it in the last several budget messages.

Private utilities in the area adjacent to TVA are vigorously opposed to the expansion program on the ground that the TVA will seek to further expand their territory, if Congress permits the huge bond issue. Under the bills that have been before Congress the last two sessions, the proceeds from the bonds may be used for construction, acquisition, enlargement, improvement, or replacement of "any plant or other facility used or to be used for the generation or transmission of electric power, or in connection with lease-purchase transactions."

It is readily apparent why the private utility companies are so apprehensive over the TVA bond issue proposal with all of its ramifications. On the other hand, the companies are willing to let TVA keep what it has got, but no more.

Fast Growing Region

The Tennessee River is formed in suburban Knoxville. It flows in a Southwesterly direction through Knoxville and Chattanooga to Guntersville, Ala., Decatur, Ala., and on to the Muscle Shoals area of Florence, Sheffield and other Alabama communities before it heads North for its confluence with the Ohio River at Paducah, Ky. The river's length is 652 miles.

The Tennessee River watershed is approximately 41,000 miles lying in Tennessee, Virginia, North Carolina, Georgia, Alabama, Mississippi and Kentucky. The headwaters of the blue waters are in the mountainous area of East Tennessee, Southwest Virginia, Western North Carolina and Northern Georgia. The fall of the river from Knoxville to Paducah is about 500 feet, of which about 135 feet is concentrated in the Muscle Shoals area of Northwest Alabama.

This whole region has blossomed into one of the great recreational areas of the country. Many industries have located within the region because of cheap electricity which has been subsidized.

TVA's Tax Status

The United States Chamber of Commerce in a study of the TVA financial data published in 1948 "An Analysis of the Real Cost of TVA Power." At the time the report purported to show that the investment to June, 1946, had amounted to $742,000,000, and that taxes and interest totaling $234,000,000 had been "lost" through TVA business operations. A summary of the major conclusions of the 1948 report said

"Seemingly every available device has been used to minimize the reported cost of power production, and thereby provide a basis for passing on to the Federal taxpayer, who is supporting navigation and flood control, unjustifiably high costs for these adjunct functions of river development."

In a subsequent study, the Chamber of Commerce said the records showed in 1954 that the taxpayers' investment in TVA to June, 1952 had increased to $1,270,000,000. Taxes and interest were $347,000,000 and $284,000,000, respectively, below the amounts that would have accrued under private enterprise operation. The report concluded that TVA electric power can and should be required to pay its own way, including all applicable taxes and interest.

President Franklin D. Roosevelt, five weeks after taking office in the 1933 depression, addressed a message to Congress proposing a TVA authority be created. In his message he said that "if we are successful here we can march on, step by step, in a like development of other great natural territorial units within our borders." Five weeks later TVA became law.

A Sprawling Giant

About a year ago the records showed that more than $3,500,000,000 had been expended by TVA in its development and operations. Congressional appropriations had totaled nearly $2,000,000,000. In addition, $65,072,500 had been raised by the sale of bonds and $45,203,448 was carried on the books as the value of properties transferred to TVA from other Federal agencies.

The funded debt had been repaid, as well as $175,059,019 of other monies derived from the Treasury and invested in the power program. An additional $37,776,997 was derived by TVA from other sources during the 25 years of its operations, bringing the total payments to the Treasury to $277,908,515. The net amount of funds available for expenditure from Treasury sources thus totaled $1,763,592,027.

Besides these amounts, gross receipts from the sale of power amounting to $1,474,375,192 were available to TVA. Net power proceeds amounted to roughly 28% of the gross revenue, leaving more than $1,000,000,000 expended in the service area for the production and transmission of electric power.

These figures present an overall picture of the magnitude of the Tennessee Valley Authority which wants to expand, and will expand at a marked clip if Congress gives it a signal to go ahead.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"He's going to one of those Washington conferences."

Joins Central States

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio — Ralph G. Cornell has joined the staff of Central States Investment Co., Walpark Building.

Business Man's Bookshelf

Careers in Business — Brochure prepared to assist high school guidance counsellors and students—Bryant College, Administration Office, Providence, R. I. (paper).

Circulation and Rate Trends of Daily Newspapers, 1946-1958—Association of National Advertisers, Inc., 155 East 44th Street, New York 17, N. Y., $10.00.

Corporate Treasurer's and Controller's Encyclopedia—In four Volumes — Prentice-Hall, Inc., Englewood Cliffs, N. J., $39.95 per set.

Debt Servicing Capacity & Postwar Growth in International Indebtedness—Dragoslav Avramovic — Johns Hopkins Press, Baltimore 18, Md., $5.00.

Electric Power Business in the Union of Soviet Socialist Republics—Edison Electric Institute, 750 Third Avenue, New York 17, N. Y. (paper).

Montgomery's Federal Taxes, 37th Edition — The Ronald Press Company, 15 East 26th Street, New York 10, N. Y. (cloth), $25.

Notes on the History of Capitals Chester D. Tripp — Economic Trend Line Studies, 200 South Michigan Avenue, Chicago 4, Ill. (paper).